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NATIONAL ECONOMIC POLICY

BEIJING ECONOMIC JOURNAL ON ECONOMIC STRUCTURE REFORM

HK220416 Beijing JINGJI GUANLI in Chinese No 9, 25 Sep 79 pp 2-5 HK

[Article by Ma Hong [7456 3163]: "The Realization of the Four Modernizations and the Reform of the Economic Structure in China"--originally published in CAIMAO ZHANXIAN and now republished following revision; slantlines denote boldface print]

[Text] At the meeting held this 31 March to discuss the principles for the party's theoretical work, Comrade Deng Xiaoping pointed out: In the past, when we carried out democratic revolution, we had to adapt our thinking to the situations in China and follow the path pointed out by Comrade Mao Zedong to encircle the cities from the rural areas and then capture them. When we now carry on construction, we must also adapt our thinking to the present situation in China and break a path of Chinese-style modernization. Such a way of thinking is very important. A Chinese-style modernization does not mean that the standard of modernization be brought down. To the contrary, we must proceed from China's actual situation and practically carry out modernization under socialism.

To carry out a Chinese-style modernization, we must first take into consideration China's present situation. Before liberation, industrial output made up only 10 percent of the total industrial and agricultural output of our country, with agriculture amounting to 90 percent. But now, our industrial output makes up 75 percent of the total industrial and agricultural output, with agriculture being 25 percent. That is to say, our country's present situation is greatly different compared with the past. The proportion of industry to the national economy has greatly increased since liberation. Before liberation, we only had approximately 3 million industrial workers, but we now have about 50 million in enterprises under the ownership by the whole people and under collective ownership. Before liberation, we only had some 100,000 plus factories of various sizes, but now we have 350,000. Taking communications enterprises into account, this figure amounts to 380,000. At present, we have also some modern industries at the mid- or even late-1970's level but there are few of them. Most of our enterprises are at the 1950's or 1960's level. Besides, we have a great number of small enterprises using indigenous methods of production. However, we must notice that we have already laid down a foundation which we did not have before

liberation or even during the period of the 1st or 2d 5-Year Plan. It is not easy to have such a good foundation. This is a starting point as well as a base from which to advance forward. When we consider our problems, we must proceed from such an actual situation. Moreover, we must also notice that we make up one-fourth of the world's population. According to the national per capita income, our country is still poor. Therefore, when we carry out the four modernizations in such conditions, we must think about how to bring our favorable conditions into play and overcome our disadvantages.

Our favorable conditions are our good foundation, many industrious and valiant people, abundant natural resources, the socialist system, the leadership of the Communist Party, both positive and negative experiences from our past 30 years as well as experiences from other countries, and so forth. Our unfavorable conditions are our large population which brings us great difficulties in finding employment and improving living standards, a very poor foundation and a state of "poverty and backwardness" as Chairman Mao put it that has not yet been completely changed. In carrying out the four modernizations we will still meet with all kinds of obstructions such as shortages of knowhow, lack of experience in modernization, forces of habit, the ossified or semioossified ways of thinking, and in particular the sabotage by the "gang of four" for more than 10 years which brought about serious consequences. We should not underestimate all these difficulties, nor should we be dishearted by them. After visiting abroad last year and making some investigations on several neighboring countries and regions recently, I have more confidence that we will be able to realize the four modernizations in China by the turn of the century. The problem is that we must properly combine the basic principles of Marxism and Mao Zedong Thought with the concrete practice of China's socialist construction and combine the advanced experiences of other countries with our specific conditions. This is the only way to break a path for a Chinese-style modernization and bring us victoriously to our goal.

To carry out the four modernizations by the turn of the century, we must start right away to readjust the unreasonable economic structure which has been in effect for years. By the economic structure, we mean various departments, areas, the compositions and organizations of our national economy, the makeup of various links and aspects of social reproduction as well as their mutual relations and mutual conditioning. Just as the natural sciences have to study from what and in what way material is formed, economics also has to study from what and in what way that national economy is formed and to grasp its inner relations and master the law of its development. When talking about the economic structure in his work "Capital," Marx said: "The sum total of the relationship between the producer and nature, the relationship among the producers, and the various relationships through which producers engage in production is society as seen from the angle of social economic structure." Here, Marx talked about the relations of production as well as the productive forces. We must have our study on the structure of the relations of production linked with that on the structure of the productive forces. Since our present national economy is seriously dislocated, our investigation should be mainly on the productive forces.

[HK220418] What should be done in the readjustment of the national economy? We used to say that readjustment is to reset the ratio to speed up production of goods which are in short supply and keep a curb on the production of goods which are in full or excessive supply. However, what is the actual yardstick for such a ratio? Such a yardstick is closely related to the economic structure. Each economic structure has its own ratio. Only a reasonable economic structure can bring persistent, comprehensive and rapid development to the national economy while an unreasonable economic structure will lead to the opposite. The problem is, we must adopt a more reasonable economic structure. According to such an economic structure, we must decide what ratio to be established and what necessary industrial and other related policies to be taken. Our plan for the national economy is a reflection of such a structure, ratio and related policies.

Now everyone knows that our present economic structure which was formed over a period of many years is very unreasonable. Such an economic structure gives prominence to steel production, takes heavy industry, light industry and agriculture in that order of priority and adopts a closed-door policy. The major problem we must now solve is how to alter such an unreasonable economic structure so that we will be able to meet the requirements for the construction of socialist modernization.

To have a clear picture of our country's economic structure, we must first have a view of our present economy and then look back on our past. It has been 30 years since the founding of the PRC. Under the leadership of the party and Chairman Mao and through the arduous struggle of our people, our national economy has greatly developed. According to 1978 statistics, our grain yield was over 600 billion jin, which was second in the world, only lower than that of the United States. Of course, since we have a big population, our per capita yield was still very low. Our coal output was over 600 million tons, ranking third behind that of the Soviet Union and the United States. Our steel output was over 3.1 million tons, ranking fifth in the world. The output of our electric power was 250 billion kwh ranking seventh. Our oil output was slightly over 100 million tons ranking eighth. Our cotton fabrics output, excluding synthetic fabric, took first place in the world. The number of machine tools we had in our country probably ranked third in the world. In view of speed, the development of our national economy was not slow. From 1950 to 1978, the average yearly growth of our total industrial and agricultural output value was 9.5 percent, among which the growth of industry was 13.5 percent and agriculture 4.3 percent. Such a rate of growth was higher than other countries compared with their speed of development over the same period of time. However, why were some of these countries getting richer while we still remained very poor? Of course, it had to do with our having a big population with a poor foundation, with our unreasonable economic structure and our backward ways of management. It had to do particularly with the sabotage by Lin Biao and the "gang of four." However, one of the major causes was the great defects in our national economic structure.

Before liberation, China was a semifeudal and semicolonial country. After the new democratic revolution, socialist revolution and socialist construction,

the economic structure of our country underwent profound changes. In the period of the recovery of our national economy and the 1st 5-Year Plan, compared with the Soviet Union and the Eastern European countries, we still paid more attention to agriculture and light industry while giving our priority to the development of heavy industry. As a result, the development of our economy as a whole in that period was considerably fast and the living standard of the people in both urban and rural areas was distinctly improved. For example, in the period of 8 years from 1949 to 1957, the average yearly growth of our total industrial and agricultural output was 14.6 percent, that of our national income was 12.6 percent and that of real wages was 5.5 percent. Since the slogan of "taking steel as the key link" was put forward in 1958, the overall balance in the national economy was broken since we were engaged in pursuing unrealistically high targets for steel and other heavy industrial products and went away from the correct policy put forward by Chairman Mao to work out the national economic plan in the order of priorities of agriculture, light industry, heavy industry. As a result, such an unreasonable economic structure as taking heavy industry, light industry and agriculture in that order of priority was being gradually formed. After readjustments in the early 1960's, things were becoming better. However, with the frenzied sabotage by Lin Biao and the "gang of four" during the cultural revolution, our heavy industry was getting heavier and heavier, our light industry lighter and lighter and our agriculture becoming unable to meet the requirements of the development of the whole national economy. Moreover, because of our closed-door policy, the economic structure of our country has become more and more unreasonable. Our national economy as a result has been seriously out of proportion. Although we have used so many material means of production, the proportion of the semifinished products among our products which we can neither eat nor wear or directly use has gradually increased while the proportion of the finished products which can be used for capital construction or consumed by the people has become smaller. The economic result has therefore been very poor. In our country, with 1 yuan's funds we can only produce less than 1 yuan's commodity output value in 1 year; however, developed countries can usually produce 3 yuan's commodity output value. Namely, our people have put in a lot of hard work, but have not received the material benefits to which they are entitled which has dampened their socialist enthusiasm. This has much to do with the big waste brought about by our unreasonable economic structure.

[HK220420] It can be seen from the above that the economic structure is a major issue of overall importance in the development of the national economy. Usually, an erroneous industrial policy gives rise to an unreasonable economic structure and an unreasonable economic structure makes the development of the national economy impossible to coordinate. It sabotages production or offsets each other's forces causing serious waste and a slackening in the development of production. Although production has increased, the livelihood of the people has not been improved and overall economic results cannot be achieved.

This time, the Financial and Economic Commission of the State Council has decided to make an investigation into the economic structure with the aim

of finding out a proper economic structure which is suitable for our country's situation and peculiarities. Such a more reasonable economic structure must have the following characteristics: 1) To be able to fully utilize our country's favorable conditions and take prevention against the unfavorable ones; 2) To be able to make full use of manpower, material, financial and natural resources in an effective way; 3) To be able to make full use of our country's existing material and technical foundation, make all departments and areas develop in a coordinated way and our socialist reproduction be carried on smoothly; 4) To enable technology to develop rapidly and labor productivity to be raised quickly; 5) To be able to bring about fast development in production speed, fast improvement of the people's living and fast increase of accumulation to achieve a benign cycle of higher speed in development, higher accumulation and higher consumption. In short, such an economic structure must be able to greatly speed up our country's socialist construction. On the basis of the investigation, proposals on industrial policies will be put forward to enable such an economic structure to come quickly into being and to find out the proper way for the transition from the existing unreasonable structure to a reasonable one.

The economic structure covers very wide categories. To do well in readjusting and transforming the economic structure, we are prepared to make particular investigations into:

/1. The industrial structure./ This involves the relationship between the two big groups--the means of production and the means of livelihood, in other words, as we usually say, the relationship among agriculture, light industry and heavy industry, the relationship among various departments of industry and agriculture and the relationship among industrial production departments (including the building industry) and agriculture and nonproduction departments such as transportation and communications, commercial services and others, and so forth. When we conduct investigations into the industrial structure, we must pay special attention to the following three points: 1) We have a population of 900 million in our country, 80 percent of whom are in the rural areas. We must keep our peasants well fed and well clothed and their lives must improve year by year. On this basis, we will then plan our country's construction and our economic life. The problem of peasants is of great importance. If it is properly solved, the whole situation in China will be stabilized. Otherwise, the whole country will be unstable. 2) Heavy industry must be gradually transformed from an existing basically self-service type into one which mainly serves agriculture and light industry. This will involve the inner structure of heavy industry itself. For example, in the construction of heavy industry, we must take into consideration what percentage of the investment is of service to agriculture and light industry. In respect to the production in heavy industry, we must think about how many machines and equipment and raw materials can be supplied to agriculture and light industry and how many durable consumer goods have been produced. Every economic department of our country must plan their own production and construction according to the order of priorities of agriculture, light industry and heavy industry. It should be particularly so for heavy industry which must plan its own development with the primary aim to serve agriculture and light industry.

3) In our yearly and long-term plans, the proportion of investment in agriculture, light industry and heavy industry will be worked out according to the above two points. However, such an arrangement does not mean that the investment in agriculture should be the largest, nor does it mean that the investment in light industry should be larger than that in heavy industry. If we do things in this way, we will make big mistakes. In fact, even if the portion of investment within heavy industry which serves agriculture and light industry is excluded, the investment in heavy industry itself still holds a greater part or considerably greater part of the total investment. The proportion of investment in heavy industry is still greater than that in agriculture and light industry. Of course, the difference between them should have a reasonable limit.

/2. The technical structure./ In connection with the industrial structure, we have to study the relationship between modern and general technologies such as the correct combination of automation, semiautomation, mechanization, semimechanization and manual operations, and so forth.

/3. The structure for economic organization./ This includes specialized and integrated organizations, the relationship between them and between large, medium and small enterprises, the enterprise organizational forms and the problem of reasonable scale and so forth.

/4. The ownership structure./ This includes study of the relationship between the ownership by the whole people, collective ownership and individual economy, how to bring the form of the collective ownership into play and how to correctly handle the individual economy which does not exploit the labor of the others and so forth.

[HK220422] /5. The structures for products and import-export products./ This includes the study of the relationship between primary products, processing industry products and high grade, precision and advanced products, the relationship between semifinished and finished products and how to increase the proportion of the latter. This also includes the study of the history, status quo of import-export products and the trend of their development, how to improve the structure of import-export products, how to increase export, improvement of the structure of export products and the complete alternation of the unreasonable state of affairs left over from the old China.

/6. The employment structure./ This includes the situation of employment in agricultural, industrial, commercial, service, educational and scientific research departments and laws governing changes in employment, the law of the development of the population and the labor force and the ways and means to effect higher employment and so forth.

/7. The investment structure./ This includes the study of investments and the investment policies such as the distribution of investments between various industrial departments, between productive and nonproductive construction, between setting up new enterprises and transforming existing ones, between cultural and educational affairs and scientific research and so forth.

/8. The regional structure and the structure for urban and rural areas./ This includes the study of the economic structure of different areas, the deployment of the productive forces, the division of economic districts and the relationship between big, medium and small cities as well as the relationship between urban and rural areas and so forth.

/9. The price structure./ This includes the study of the price relations between industrial and agricultural products, between the means of production and the means of livelihood and between coal and oil, the relationship between planned, floating and free market prices as well as the scientific basis for price setting and so forth.

/10. The accumulation structure and consumption structure./ This includes the study of the relationship between simple re-production and enlarged re-production, the ratio between accumulation and consumption, the structures within accumulation and within consumption and so forth.

Cited above are just a few important points. This discussion should be further enriched in content, and more details should be further worked out. During our investigation, we must not only study these points respectively, but also conduct general studies on them as a whole. Our research work must be combined with the drafting of our short- and long-term plans. We must study the general aim in carrying out the four modernizations by the turn of the century, study and discover a more reasonable economic structure to insure the achievement of such a general aim and more ideal economic structures for various stages as well as the means, steps and related industrial policies for the gradual transition to a reasonable economic structure to provide a necessary basis for the drafting of short- and long-term plans.

Among the various points stated above, we must catch hold of the existing outstanding problems, particularly those of the industrial structure and study these problems by special topics. For example, we must particularly study the position and role of departments such as agriculture, light industry, machine building industry, iron and steel industry, chemical industry, and so forth in carrying out the four modernizations. In what way should heavy industry serve agriculture and light industry by giving them proper support and pushing them forward? How can we correctly handle the ratio between accumulation and consumption?

The aim of our investigation and study is to get a clear idea of our country's present economic structure. What are the existing major problems? How can we discover the proper ways to solve these problems. We must summarize the historical experiences from the 30 years since the founding of the PRC, study the present situation and the history of some leading foreign countries and probe into the law of the movement of economic structure to discover the proper economic structure suitable for our country's situation and peculiarities. We must really break a path for Chinese-style modernization to enable our country's economy to develop continuously, proportionately and rapidly to enable us to have a faster increase in accumulation and a quicker improvement of our people's living standard and to carry on the construction of the socialist modernization with greater, faster, better and more economic results.

NATIONAL ECONOMIC POLICY

PRC ECONOMIC JOURNAL ON REFORM OF MANAGEMENT SYSTEM

HK190900 Beijing JINGJI GUANLI in Chinese No 10, 25 Oct 79 pp 23-25 HK

[Article by Li Yinglu [4040 4453 3723] of the Bureau of Resources, Xuzhou: "The Resource Management System Must Be Reformed"]

[Text] The resource department is a logistics as well as a vanguard department. It is also a multipurpose department. As the saying goes, "food and fodder should go before troops and horses." No matter if it is the production of industry and agriculture, basic construction or cultural and educational work, departments such as national defense and scientific research cannot be divorced from resource supplies. (Here resources primarily refer to the means of production.) The improvement of resource supplies is one of the fundamental conditions for the speedy construction of socialism. The proclamation of the 3d plenum of the 11th Party Central Committee pointed out that: the economic management system and the methods of management should be conscientiously reformed. The existing resource management system has already seriously hindered the development of the productive forces. The four modernizations will be held back if thorough reforms are not forthcoming.

Our existing resource management system is managed according to three levels and has six types of supply methods. There are a multitude of levels and links, with the supply channels being highly complex. The meaning of the so-called three levels management is twofold. The first meaning is that the state divides the resources into three broad types. The first type is managed by the State Planning Commission and the various central departments. The second type is managed by the provinces. The third type is managed at the local level (including regions, provincial cities and counties. Resources mentioned hereafter will also follow the division). The second meaning is that the first and second types of resources needed by enterprises directly under the various central departments (including war industries) are to be supplied by the various responsible central departments. The first and second types of resources needed by provincial enterprises are to be supplied by the provinces. The first and second types of resources needed by local enterprises are to be supplied by local resource departments. Within the three levels of central, provincial and local management, no one can achieve "large and complete" and "small and complete." No one can monopolize all the resources needed by enterprises under its management. Thus there has arisen six supply methods. The first and second type of resources needed by the central enterprises for production, maintenance and basic construction

are directly supplied by the responsible central departments. This is supplemented by the local resource departments at the vicinity of the enterprises. The third type of resources are solely supplied by the local resource departments. These are the two methods of direct and local supply. Both provincial and local enterprises are using these methods. The three levels of management mentioned above are taking the three levels of region, provincial city and county authorities together because all of these only have control over three types of resources. If these three levels are further subdivided, there will be five levels of management and 10 types of methods.

This kind of three-level management system, in actual facts, is the management of resources by administrative means. Therefore, there are many defects. These defects are manifested in:

1. Resources are dispersed and difficult to allocate. According to investigation of the departments concerned, by the end of September 1978, the distribution of reserves in the country was as follows: production and basic construction enterprises constituted 60 percent; the resource supply organizations of production and construction departments constituted 18.7 percent; and the reserves in resource departments together with the stocks of finished steel products constituted 21.3 percent. The reserve conditions for mechanical and electrical products were similar. The conditions by the end of June 1978 were: the production and construction units possessed 64 percent; the supply organization of the various responsible production departments possessed 21.7 percent; the resource departments possessed only 8 percent and the remaining 6 percent was products in reserve. The above two figures illustrate that most of the resources in reserve are concentrated in the hands of the utilizing units while the resource departments have less resources in reserve, because each unit and level keeps its own reserve and no one is willing to release them. This results in shortage in some areas and overstocking in others. There is the outstanding phenomena that "the goods become stagnant once they reach the local level." Consequently, the resource reserves become larger and larger while dispatching them becomes more and more difficult. In 1978, our industry had a 13.4 percent growth rate as compared with 1977. In comparison, the steel reserve increased by 23 percent as compared with 1977. The steel reserve growth rate has greatly exceeded that of production. This illustrates the seriousness of the problem.

[HK190905] 2. Due to the fact that each unit and level has its own reserve, the amount of capital engaged is high, the overstocking of resources serious and the area occupied by warehouses large. Meanwhile, the rates of circulation, utility and labor efficiency are very low.

3. Although the principal resources needed by central and provincial enterprises are supplied by responsible central and provincial departments, there are often many loopholes. Since the technological and management levels of the various enterprises are not homogenous, the amount of resources assigned according to the quotas on consumption are often inadequate. Such needs often have to be supplemented by local authorities. This, in actual fact, has transferred the burden to the local resource departments. They have to assign a certain portion of resources to meet the needs of central and

provincial enterprises. Failure to do so will affect the relationship between central and local levels. This will in effect enlarge the existing loopholes in the supply of resources needed for local industrial and agricultural production. The enterprises have to try by hook and by crook to fulfill their needs by sending out purchasing agents all over the place. The transportation of resources thus involved has resulted in serious waste and haphazard cooperation. This has also resulted in bartering and helped encourage illicit trends. All these things have seriously affected the normal functioning of national planning.

4. According to the three-level management system, the various responsible production and basic construction departments distribute resources down their respective channels. Since each department cherishes a certain degree of departmental selfishness, each wants to put the principal resources basically under its control. The further down the hierarchy, the less resources one gets. Consequently, certain central and provincial enterprises get too many resources while certain local enterprises get none. This is even called by the fine sounding name of "safeguarding the keypoints." The central authorities have repeatedly called for the construction of more staff quarters. However, not a single tael of steel or a single inch of timber reach the local level when it wants to build such quarters. This renders such projects untenable.

5. Due to the fact that resources are managed by administrative means, certain local and departmental comrades are used to putting all their energy in the "competition" for resources. As a result, the greater the "competition," the further the front is extended, the greater the loopholes and the more the disputes.

The problems mentioned above are not new. In the past 30 years, the resource management system has been changed several times. However, such changes are not fundamental enough to get beyond resource management by administrative means. Such changes are centered around the shift of management power between the "central" and the "local" authorities. This problem has never been rationally resolved. In the past, when considering the relations between the central and local levels, attention was mainly on the problem of centralization and decentralization. This was, of course, necessary for mobilizing the enthusiasm of the two. But experience has told us that just making an issue of centralization and decentralization will not get very far. No matter if it is the "central authorities" or the "local authorities," they are all administrative organs. It only involves the problem of administrative and management power. In this case, when management power has been overconcentrated, an "overrigid" situation has ensued whereas when management power was too diffused, "confusion" followed.

Then how can we reform the resource management system? I think the first thing is to liberate people's minds. Socialist production is socialized mass production established on the foundations of public ownership. This kind of socialized mass production demands that work be done according to objective economic laws and management by modernized and efficient economic means. If the management method of feudalistic and hierarchical small-scale production is still adhered to, it will become a fetter to the development

of the productive forces. To adapt the resource management system to modernized mass production, the following reforms are suggested:

I. Establishment of Centralized, Unified and Specialized Resource Companies

In the existing resource management system, the authorities at every level manage their own resources. No matter if it is the resource departments, the various central departments, the various offices (bureaus) of the provinces (municipalities), the offices of the various regions and counties at the local level and even the industrial enterprises, all have their own setup for distributing supplies and dispatching reserve resources. To suit the needs of the mass production of the four modernizations, this kind of feudalistic and hierarchical management system in which everyone wants a share must be abolished. [HK190910] The specialized companies of the resource departments should be independently responsible for the whole country for the planned allocation, distribution and dispatch of reserve resources. Different types of specialized national resource supply companies should be set up to meet the needs of the development of the national economy. At present, the scale of companies such as metal, electrical engineering, light chemical, fuel and so forth are too large. They are unable to meet the needs of specialization. Thus, they must be made more specialized. For instance, the national steel company, the national pig iron company, the national nonferrous metal company, the national timber company, the national automobile company, the national electrical engineering company, the national machine tools company and so forth should be responsible for the balance of the production, supply and marketing of steel, pig iron, nonferrous metal, timber, automobiles, electrical machines and machine tools. Branch companies should be set up in the various levels of the provinces, municipalities and counties to manage the business. Meanwhile, the national company will directly control the supply activities of the various provincial (municipal) branch companies, and the provincial (municipal) branch companies will in turn control supply activities of municipal and county companies. In this way, the resources of the whole nation can be adjusted. However, both the national company and the provincial (municipal) companies will only handle the balanced distribution and allocation of the first type of resources as stipulated by the state. They will not deal with resources in kind. The resources needed by industrial and mining enterprises are to be centrally and directly supplied by municipal and county companies.

This change will abolish the resource management organizations belonging to the central departments and the responsible departments of production and construction at the provincial (municipal), office (bureau), municipal and county levels. Resources will be centrally supplied by the specialized resource companies. The problem can be properly resolved if we can bring the superiority of the socialist system into full play, have better organization and have this method tested. In the formulation of concrete measures, we can take the issuance of cloth coupons by the commerce department and food coupons by the food department as references. The distribution of the first type of resources needed by central enterprises should be billed and have the targets adjusted jointly by the National Planning Commission, the responsible central administrative departments and the national company concerned. The resources are then to be supplied by the

resource company in the vicinity of the enterprises in the most economical and rational manner. The resources needed by provincial enterprises should be billed and have their targets adjusted jointly by the provincial planning commission, the provincial administrative departments and the provincial branch companies concerned. The resources are to be supplied by the companies at the vicinity of enterprises. The resources needed by local enterprises are to be billed and have their targets adjusted jointly by the local planning department, the responsible department and the local resource company. The resources are to be supplied by the specialized resource companies. After the enterprise concerned has received the receipt from the national resource company, it will sign a contract with the specialized company in its vicinity. Guaranteed supply will be provided by the specialized company in the schedule and according to stipulated quality and quantity. Any breach of contract will entail economic and legal responsibilities. The resource department should arrange its supply according to the descending order of priorities of agriculture, light industry and heavy industry and according to the principle of giving priority to the central level over the local level.

II. Establishment of "Resource Banks"

At present, due to various reasons, urgently needed resources are in short supply while there are serious overstocking in other resources. To resolve this contradiction and spur the circulation of resources, "resource banks" can be set up. That is to say, the specialized national resource companies collect together all the resources under specification and store the excess resources in the specialized companies. The whole country will set up an overall adjustment network. The various provinces (municipals) will set up their own adjustment network while the various subdivisions within the province will set up their networks respectively. Adjustments should first be made within the subdivisions and then within the province and finally merge with the adjustment of the whole nation. The resources stored in banks by various responsible production and construction units and enterprises are guaranteed to return in time. This can reduce the number of warehouses at the various levels and avoid the diffused manner of supply. This can insure the keypoints as well as accelerate capital circulation.

[HK190915] III. Organize the Supply of Resources According to the Economic Divisions, on the Spot and Nearby

In the speech delivered at the National Study Conference of finance and trade, Comrade Li Xiannian pointed out that commercial departments should organize supply according to economic divisions. He also criticized the mutual economic blockades and competitive purchasing of resources by three commercial institutions in Kaifeng of Henan Province. Such a blockade had resulted in irrational transportation and a tense supply of resources. I think that Comrade Li Xiannian's directive is not only applicable to the commercial departments but also to the resource departments. At present, supply in our resource management system is organized according to administrative divisions. The multilevels of institutions, mutual blockades, competition in the purchase of resources and violation of rational circulation and transportation have resulted in artificial shortages. If economic

means are adopted and supply is organized according to economic division on the spot and nearby, this will come into contradiction with the method of management by administrative means. For instance, Xuzhou is situated at the meeting point of the four provinces of Shandong, Henan, Jiangsu and Anhui. It is also situated at the converging point of the Jinpu and Longhai railways. To reduce expenditures and avoid roundabout transportation, resource supply must exceed the administrative boundaries of the four provinces and be organized on the spot and nearby. Between 1964 and 1965, the then resource department had organized trial points here. Later, this project was suffocated in its infancy due to the sabotage of Lin Biao and the "gang of four." If resources are managed by economic means and their supply organized according to economic divisions, not only can expenses be reduced but resources can flow through the proper channel. Their rational transportation can be carried out in time, accurately, safely and economically. This will ease the transportation load on railroads and highways. Furthermore, Xuzhou is also situated at the northern gateway of Jiangsu. From the perspective of rational transportation, in addition to direct transportation of supplies, resources from northern Jiangsu can first be stored in the warehouses of Xuzhou. The provincial units concerned can then pick up their goods in Xuzhou after they have received their share. However, this method was not adopted by the provincial unit concerned. Instead, all the resources were first transported and stored at Nanjing. After distribution, places north of the Changjiang, such as Xuzhou, Lian Yungang and Huaiyang would then pick up their goods in Nanjing. In this way, the units north of the river had to spend an additional amount of transportation fees than units south of the river. As another instance, before the Cultural Revolution, the Jiangsu Provincial Resource Bureau had set up an office in Shanghai. All the resources bound for Jiangsu from Shanghai and south of it were first stored in the warehouses of this "Shanghai Office." After distribution, the various localities had to pick up their share of the resources in Shanghai. Due to the sabotage of Lin Biao and the "gang of four," the Shanghai Office was later desecrated during the Cultural Revolution. Subsequently, resources from Shanghai were first stored in the Zhenjiang transportation depot or in Nanjing. In this way, units south of the river had to spend an additional amount of transportation expenses than units north of the river.

To manage resources by economic means, the method of organizing resource supplies by administrative divisions should be abolished. Supplies should be organized according to economic divisions. As mentioned before, the first type of resources is to be balanced and distributed by the national company; as for the second and third types, no matter if they are for central enterprises (including war industries), provincial or local enterprises, their supply should be organized by the local specialized companies according to economic divisions.

IV. Coordinate Between Planned Economy and Market Economy

At present, the most serious problem in the production of the means of production is the divorce of production from marketing. Marketing is determined by production and the producing enterprises cannot cope with the needs of the market nor adapt to its changes. Meanwhile, the resource departments have a

monopoly on purchasing and marketing. Due to inferior quality and off-graded specifications, there is overstocking on the one hand and shortages on the other. To resolve this problem, the system of state monopoly in purchasing and marketing should be abolished. Instead, the law of value should be used to exert a given adjustment effect on the scope of production so that the planned economy can be coordinated with the market economy. [HK190920] Important resources of concern to the whole national economy (such as the existing first type of resources) should be under national planning. As for the second and third types of resources, they should be put under local production plans. The resource departments will sign contracts with the production enterprises and purchase their goods according to the demands of the contracts. For enterprises producing highly marketable goods of superior quality and low production costs, they should have first priority in the supply of resources and the state purchase of products. As for enterprises producing inferior quality goods having no market and high production costs, they should be denied the supply of resources and state purchase of products. In this way, this part of the products will have to pass through the market and have their production adjusted by economic means.

V. Resource Enterprises Should Also Have a Bit of Competition

At present, resource departments are monopolistic and pay no attention to profits or losses. I think that the proposal for the resource departments to balance their own accounts and make a little profit is worth considering. Since the resource departments are monopolistic, the staff is certain resource supply enterprises just sit there and wait for the customers to call. They simply regard the purchasing agents as "underlings." On the other hand, industrial and mining enterprises regard the resource departments as something "they can ill afford to displease" or "do without." Resource departments should have a bit of competition to change their feudalistic and hierarchical management methods. Resource enterprises should also talk about profits and conscientiously apply the principle of material interests. This will insure that the interests of the state, enterprises and individuals will be properly coordinated. Under the condition of not violating related state regulations, better management and higher profits in the enterprises will be of great benefit to their staff. In this way, leading cadres and the mass of workers will relate the management results of their own enterprises with their own material interests and advance their own enterprises through competition.

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NATIONAL ECONOMIC POLICY

PRC JOURNAL ON MILITARY INDUSTRY PRODUCING CONSUMER GOODS

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[Article by Shi Xiangxin [2457 4382 2450]: "Military Enterprises Must Produce as Many Products as Possible for Civil Use"]

[Text] Comrade Hua Guofeng said in his government work report to the second session of the Fifth NPC: "Military enterprises must, under the premise of fulfilling their task of producing military products with guaranteed quantity and quality, produce as many products for civil use as is possible, particularly those durable consumer goods." This is a glorious task for military enterprises. At present, a number of enterprises have been doing so or are making preparations to do so. But there are some enterprises that still do not quite understand it and are full of worries about it. They are afraid that they will be criticized for "not doing the job properly." They worry that if they do so, their task of producing military goods will be affected; that if they produce products for civil use, they will shoulder more burdens; and that if they turn out such products, they will suffer losses. They commonly worry that if they produce such products, they will suffer losses. This article is intended to explain such worries, to explain why military enterprises must turn out products for civil use and to show how to deal with the "losses" caused by producing products for civil use.

I. Why Must Military Enterprises Make Products for Civil Use

It is a general division of labor that military enterprises produce military goods and civil enterprises make products for civil use. But this kind of division of labor has long been broken in practice. With the development of technology and specialization, this division of labor will be broken through. But it does not mean that the tasks of military enterprises are identical with those of civil enterprises. The primary task of military enterprises is to turn out military goods; however, they must also simultaneously turn out products for civil use when they have fulfilled the production of the former. The reason for this is that when military enterprises have met their task of producing military goods, they still have a surplus production capacity. Therefore, it would be a waste if we did not make use of this surplus production capacity. For example, the labor-hour utility of a state-owned machinebuilding plant was about 50 percent before it began turning out products for civil use. The utility rate of its

equipment was less than 30 percent while per hour labor expenses were over 6 yuan and sometimes as high as a dozen yuan. The per-hour labor expenses of some enterprises were as high as dozens of yuan. This situation has generally been caused by the fact that these enterprises do not have enough production tasks. It can be said that the present problems of most military enterprises is that they are "not fed enough."

To make full use of the surplus production capacity, a machine building plant began to turn out products for civil use by the end of last year, several months later, this plant was successfully doing so. In the first half of this year, it met the production quotas for military goods while simultaneously being able to spend over 800,000 hours in producing products for civil use. Its work-hour utility rate had increased by 12 percent and its equipment utility rate by 6 percent, while production costs had dropped by 9 percent. Eventually, this plant made over 270,000 yuan profits.

There are many advantages for military enterprises to produce products for civil use. First, it will help enrich home markets and increase exports. Secondly, it will help mobilize still better the initiatives of the workers and increase their technological standard. Thirdly, it will help increase labor productivity and equipment utility rate. Fourthly, it will help reduce production costs and increase profits. Fifthly, it will help the enterprises themselves promote their accounting. Sixthly, it will help to gradually realize a situation in which "civil enterprises support military enterprises." Facts have proven that it is not only imperative for military enterprises to turn out products for civil use but doing so is also feasible. There are many advantages in doing so. Thus, it is wrong to term the enterprises that do so as "not doing the job properly."

II. So-called "Losses" Must Be Concretely Analyzed

"Military enterprises will suffer losses if they turn out products for civil use." This is what is usually said by some enterprises. This opinion has even been used by some people as a pretext for refusing to turn out products for civil use. In the following we are going to explain this problem with the above-mentioned plant as an example.

This plant completed over 350,000 labor hours in the first quarter of this year, of which over 310,000 were spent in producing military goods and over 30,000 in turning out products for civil use. Labor-hour expenses were about 1.5 million yuan while the income from producing products for civil use came to over 130,000 yuan. These figures explain:

First, the plant's indirect expenses were distributed according to labor hours. If the plant had not turned out products for civil use, the hour-labor expenses in this quarter would have been 4.704 yuan (total hour-labor expenses divided by total labor-hours in producing military goods); because the plant has made products for civil use, the hour-labor expenses have now dropped to 4.457 yuan (total hour-labor expenses divided by total production labor hours). The hour-labor expenses have thus dropped by 0.247 yuan. [HK220405] Second, because of the decrease in hour-labor expenses, the costs of labor expenses of the military goods in the quarter dropped by over 140,000 yuan. It means that the plant recorded an additional profit of over 140,000 yuan from military goods.

Third, as the more than 150,000 yuan in labor expense costs for products for civil use was offset by over 130,000 yuan from the income of the civil used products, the "losses" caused by the products for civil use were over 20,000 yuan. Yet the "losses" were much lower than the profits gained from the products for civil use, amounting to only one-seventh of the additional profit. The result of the offset was a net profit of over 120,000 yuan recorded by the plant.

The profits were made possible because the fixed expenses, which made up most of labor-hour expenses, were neither increased nor decreased by the production of products for civil use. This means that this part of the expenses would be used whether products for civil use were made or not. The fixed expenses thus have potentials. Therefore, when an enterprise produces products for civil use, it will not only be able to make use of the fixed expenses, but will also be able to recoup some fixed expenses from the income of the products for civil use, thus enabling the enterprise to increase profits. It is no doubt that when an enterprise simultaneously produces military goods and products for civil use that it will make profits.

But it must be pointed out that the method of fixing prices in military enterprises runs counter to the principle of concretely analyzing concrete situations. This method results in the fact that though an enterprise actually increases profits, it still suffers "losses." This method is the source of the theory of "losses." How to change this malpractice will be dealt with later in this article.

III. How To Arrange the Production of Products for Civil Use

The problem now encountered by our military enterprises is how to arrange the production of products for civil use. According to the practice by some enterprises, I think the following links are important:

First, proper arrangements must be made for the production of products for civil use under the premise that the task of producing military goods is insured. This means that in deciding on a production plan, consideration must be given to both military goods and products for civil use; the principle of "combining civilian and military" and "combining peacetime and wartime" must be implemented. But if the plan is not good enough, it will affect the production of military goods. Disruption of the production of military goods is affected because of the plan, not because of producing products for civil use.

In making arrangements for the production of military goods and products for civil use, the following merit our attention.

1. Enterprises must do well in calculating their production capacity and operation capacity needed for producing military goods so as to know the amount of the types of work and equipment that can be used for producing products for civil use.

2. The variety and quantity of products for civil use are determined by the production capacity used for these products.

3. Military goods and products for civil use can be produced alternately or produced in a concentrated way for a certain period or be produced by specialized groups.

Second, the enterprises must produce products for civil use according to their situations. This means that they must turn out the products according to their technical forces, equipment and raw materials. The most important thing is that they must make products that can generally be used by both military and civilians, that require similar technology and that can be processed by their present equipment and that are in short supply. In particular, they must produce durable products for civil use. In this way, they will thus be able to fully display and make use of their advantages with better economic results. All military enterprises that have been successful in turning out products for civil use have started production according to their specific conditions. They do not produce those things that are beyond their capability.

Third, they must produce products for civil use according to demands. Before a decision is made on the variety and quantity of the products, they must first make sure of the marketability of the products. This will insure the sales of the products and avoid stockpiling. For example, the machine building plant mentioned above found the "buyers" before it began production. In the first half of this year, none of its products for civil use was stockpiled.

Fourth, the present method of fixing prices of military goods must be analyzed and dealt with concretely. The method used by military enterprises is production costs plus profits. It seems that the enterprises which are producing products for civil use get less profits from military goods. But actually they do not "suffer losses." The method itself is very irrational. The amount of profits is directly proportionate to the amount of production costs. The higher the production costs, the higher the profits; lower production costs bring lower profits. The production of products for civil use will share the labor-hour expenses in the production of military goods. Actually, the production of products for civil use helps to cut the labor expenses for military goods. [HK220410] It is this unique price fixing in military enterprises that gives rise to the situation in which profit drops in spite of the lowering of production costs. This situation is easy to understand. The problem is that some military enterprises do not analyze this situation; on the contrary, they use it as a pretext for not producing products for civil use. Actually, the reason for some enterprises not to producing products for civil use is that they will get profits all the same even if they do not produce such products; it is not because they will get less profits from such products. If a factory spends 1 hour per month in producing military goods, then the goods that are produced in this hour are enough to meet the total labor expenses for the whole month with an additional 5 percent profits. This situation is usually referred to as "messing together" "stable profits" or "insured harvest irrespective of drought or flood."

Apparently, the present method of fixing prices that is prevalent in military enterprises must be reformed as early as possible because it is not in line with the principle of combining civilian with military and peacetime with wartime. But before this method is reformed in a unified way, our military enterprises must in no way refuse to produce products for civil use on the pretext of "suffering losses." On the contrary, they must actively shoulder the task of producing such products, pay attention to economic results and do their best to tap their potentials. This is the attitude that must be taken by the enterprises so as to meet the demand of the "four modernizations" drive. It is their sacred duty.

We are very happy to see that a number of military departments have changed the method of price fixing by adding profits to production costs used by their enterprises. These changes have helped mobilize the positive factors of enterprises. One of the new methods is to fix prices on the basis of the raw materials consumed plus labor-hour expenses. This method is no doubt more advanced than the old one. It encourages factories to do their best to lower production costs because only by doing so will they be able to increase profits. However, there is room for a further development of this new method. To fix prices according to the consumption of raw materials is still "messing together." It would be better if price fixing were based on quota labor hours rather than labor hours. The system of quota labor hours must be carried out accurately and with approval from higher organs. Obviously it is no good to fix prices on the basis of actual labor hours, because in this way the slower the workers work the more they will earn. A factory's profits must depend on the quality and quantity of its products and the consumption of raw materials, not on actual labor hours. I suggest that before adding profits to production costs, the prices of military goods be fixed in a planned way. In carrying out this proposed method, it is imperative to carry out investigations as accurately as possible. This method will force enterprises to spare no efforts in cutting down consumption and avoid "messing together." Let us be active in producing products for civil use so as to make contributions in stepping up our socialist modernization construction.

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NATIONAL ECONOMIC POLICY

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[Article by Yu Guangyuan [0060 0342 6678]: "On the 'Theory of Socialist Economic Goals'"]

[Text] Comrade Yu Guangyuan's article published here puts forward the idea that the economic goals of socialism should only be "to increase the production of the final products needed by the people to the greatest extent within the possible limits," that "we should proceed from increasing the production of final products when planning the entire society's production" and that "the increase in the production of final products should be taken as the measuring stick for the achievement in overall economic work." The central theses of and the questions raised in this article have important practical implications. Clearly exploring these questions is conducive to eliminating the pernicious influence of the "ultraleftist" line of the "gang of four" on economic work, unifying the understanding of the national readjusting work and enabling the socialist modernization construction to advance in the correct direction. Exploring these questions thoroughly is also conducive to strengthening the party's spirit of socialist political economics and building the scientific system of a socialist political economy. From now on we will initiate academic discussions centered around issues such as the fundamental economic law of socialism, the application of the Marxist reproduction principle in the socialist economy and the "theory of socialist economic goals." We welcome enthusiastic contributions from the vast numbers of economic workers and economic theorists.

In order that our country can achieve the four modernizations, many issues in economic theory must be studied. Among them is the "theory of socialist economic goals." The purpose of studying this topic is to more clearly understand the goals of our country's socialist production, the ultimate goals of all our economic activities, how we should proceed in planning the entire society's production, as well as the criteria we should use for assessing the achievement of the overall national economy. The important implications of studying this issue are very obvious.

The following is our tentative view on this issue. Our economic goal should only be "to increase the production of the final products needed by the people to the greatest extent within the possible limits" and nothing else. This is based on the experience in economic construction since the founding of our People's Republic and on the socialist nature of our country's economic system.

Then, what are the final products? They include the following. Firstly, they are consumer goods, which are the most important part of the final products. Secondly, they are goods needed for developing social education, science, culture, medical and health enterprises, and so forth. Thirdly, they are goods needed for carrying out social administration and class struggle (mainly good for strengthening national defense). Fourthly, they are products for export. What we call final products have the theoretical basis in that part of Marxist political economics related to socialism. They are different from the meaning of final products mentioned in bourgeois economics. Bourgeois economists also talk about final products (they often use the term final demand). Take, for example, Leontief (not the Soviet economist Leontief who writes political economics textbooks but the one who left the Soviet Union for the United States and is engaged in input-output analysis). He thinks that there are four categories of final demand, namely, 1) investment demand; 2) consumption demand; 3) government purchases and 4) export demand. Among these four, "consumption" and "export" are the same as in a socialist economy, but the other two are different. Bourgeois economists put investment demand as a final demand, and this justified in that it reflects a capitalist society's economic life. Capitalist production is not only the production of value but also the production of surplus value, and, to put it further, production for maximum profits and expanding capital. Expanding capital is the goal of capitalist production. So, satisfying investment demand is one goal of capitalist production. Therefore, the means of production used for investment is one category of final products in a capitalist economy. But under the socialist system, production is not an aim in itself; the goal is to satisfy the ever-growing needs of society. This is clearly pointed out as one basic feature of socialism in Stalin's exposition on the fundamental economic law of socialism. Therefore, in socialist economic life, investment is not a final demand and the means of production used for investment are not final products. It is also justified for bourgeois economists to put government purchases as a final demand, for it also reflects a capitalist society's economic life. The nature of capitalist production is production carried out by private capitalists; capitalist-imperialist states' monopoly capitalism is also a combination of private monopoly capital and state monopoly capital built upon the foundation of private monopoly capital. When the capitalists sell their products to the government, these products should be regarded as final ones. But our socialist production is mainly production related to an economy of ownership by the whole people. Its products should rightly belong to the state, and the products sold to the government cannot be regarded as final ones. In conclusion, in capitalist economic life, all products produced by capitalists and sold can be regarded as final ones. Only those involved in their own process of motion of capital are intermediary ones. In the socialist system only those products ready to enter various domains of consumption can be called final products. Products for export, except those for a country's

social production, whether they be means of production or means of consumption, should also be regarded as final ones. These first three aspects are the domains of consumption in a socialist society.

[L291502] In the socialist system we should take the increased output of final products as the ultimate goal of our overall economic activities. The overall economic activities include first, the direct productive activities, which include the productive activities of producing various kinds of services. Second, they include the people's activities in circulation agencies, service agencies, science, technology and education agencies, as well as administrative agencies which serve production and function in production. They do not, however, include the distribution and consumption activities taking place after final products have been produced. Such activities do not belong to the production of final products but belong to the consummation of final products.

When the goal of the overall socialist economic activities is clearly understood, then the consciousness of every production and economic department can be raised and the degree of blindness can be reduced. Otherwise certain departments are unable to view the situation as a whole and they will view their own departments' production as something existing in isolation and they will develop it as such.

One inevitable logical conclusion drawn from the understanding of this socialist economic goal is that we should proceed from the increase in the production of final products while planning the overall social production. Since last spring we have been stressing this view. First, it is aimed at the planning method learned from the Soviet Union since the initial period after liberation. This method proceeds from the targets for the increased output of certain categories of major products in planning the entire society's production. Such major products embrace 30 to 40 of the most important categories, or 70 to 80 for a wider selection, and something more than 100 categories if an even wider selection is taken. These categories of major products include not only heavy industrial products but also light industrial and agricultural products. This is the method we have been using until now. Second, it is aimed at the situation of proceeding from heavy industry and following the order of priority of heavy industry, light industry, agriculture in planning the overall social production. This situation existed for a very long time in our country. Especially, it is aimed at the situation of planning the overall social production with "taking steel as the key link" as the guiding ideology. (This situation exists despite the fact that we always say we should follow the order of priority of agriculture, light industry and heavy industry and that we do think so subjectively.) That is to say we stress using the "monism" of proceeding from final products to replace the "pluralism" of proceeding from the targets for the increased production of certain categories of major products, and using the "monism" of proceeding from final products to replace the "monism" of proceeding from heavy industry and proceeding from "steel."

The ideology of proceeding from final products in planning the overall social production is not something that has never been put forward. Similar issues have also been discussed abroad. In some countries, the economic circles

have had disagreements over three propositions concerning the planning method under the socialist system. The first of these is the resource approach, which proposes proceeding from the national resources in planning the overall social production. The second is the sectoral approach, which proposes proceeding from the targets for the increased output of products in various sectors in planning production. The third is the final products approach. The bone of contention is which one being superior. Nevertheless, in actual life the resource approach and the final products approach have not yet been practiced, and the generally practiced one is the sectoral approach or its amended versions. The sectoral approach is easiest to practice. In addition, its adoption is an accomplished fact. But its defects are numerous. On the other hand, resources are a factor which must be considered. However, the goal of production cannot be to bring the function of resources into play. We think the resource approach should not be adopted. The defect of the final products approach is that practical experience is lacking. If decision is made to practice it, there will certainly be many real difficulties and problems while carrying it out. But it should be earnestly considered and studied. However, our propositions are not entirely the same as what the foreigners call the final products approach. What we call final products do not include any means of production (except those for export). We think that only by insisting upon this point can the final products approach be theoretically consistent.

Planning production with the increased production of final products as the goal is very similar to following the order of priority of agriculture, light industry and heavy industry as proposed by Comrade Mao Zedong. In our country there is a high proportion of final products in agriculture and light industry but a low proportion of final products in heavy industry. So to a certain extent the quantities of agricultural and light industrial products indicate the quantities of final ones. But agricultural and light industrial products are a concept intrinsically different from final products, as are heavy industrial products from intermediary products. Many heavy industrial products like washing machines, refrigerators and so forth are all means of livelihood--all final products. Many agricultural and light industrial products, on the other hand, are all means of production--all intermediary products. [HK291504] Therefore, agricultural and light industrial products can both approximate or not approximate final products, like heavy industrial products to intermediary products. Also, proceeding from final products does not necessarily mean following the order of priority of agriculture, light industry and heavy industry. For instance, in developed countries the proportion of heavy industrial products in final products is very high. Among the three economic mainstays in the United States, cars and residential houses are of course heavy industrial products, but they should be called final products. If our country's economy had developed to this stage, then it could no longer be said that in our country proceeding from final products is very similar to following the order of priority of agriculture, light industry and heavy industry.

At the same time, the idea of following this order of priority of agriculture, light industry and heavy industry is tantamount to the following guiding principle for developing the national economy, in a specific form: "make

agriculture the foundation of the national economy." This guiding principle is founded on the following objective law: "agriculture is the foundation of the national economy." This objective law is applicable to any society under any conditions. However, for a country like us, China, whose agriculture is far from a satisfactory standard, this guiding principle of "make agriculture the foundation" needs special stress, and planning production "according to the order of priority of agriculture, light industry and heavy industry" also needs stress. That is to say, the theoretical basis of "follow the order of priority of agriculture, light industry and heavy industry" is different from the idea theoretical basis of "proceed from final products in planned production." Therefore, we must see not only the similarities but also the differences between following the order of priority of agriculture, light industry and heavy industry, and proceeding from final products in planning production. At the same time these two ideologies should be stressed so that they receive mutually supplementing results.

Several issues must be studied if we adopt the approach of proceeding from final products in planning production. They are as follows:

First, when we adopt this approach, we are facing the already existing productive capacities of various sectors, the already existing relations among production, supply and marketing, the already existing production agencies, circulation agencies, service agencies and administrative agencies, the already existing thinking and work habits and so forth. Therefore, a switch from the "sectoral approach" to the "final products approach" which we are proposing must go through a fairly difficult process. The required steps need detailed study. Understanding the socialist economic goal only solves the problem of directing the reform of the planning method. Choosing the required steps has a different nature and requires separate study. It cannot be taken for granted that once the question concerning the guiding principle are settled, other questions will be easily settled. Economic and planning work are very complicated, specific and concrete. Every actual step requires rigorous, accurate reckoning and repeated consideration.

Second, even if production planning proceeds from final products, the problem of the quantities and composition of final products will still be unresolved. Although all people need food, clothing, accommodations and other things for daily use, the kind of food, clothing, accommodations and things for daily use vary. That is to say, consumer goods have different compositions in different countries or at different times. The quantities of consumer goods are also limited by the production capacity. The composition of other products needed by society also varies over time and with place. Therefore, the rational composition and quantities of the final products can only be determined according to a country's historical conditions, economic conditions, conditions of relations with other countries, and so forth. In addition, they are not already clearly known at the time of planning; to know them necessitates a lot of estimates and calculations and repeated balancing work.

Third, proceeding from final products in production planning does not mean that the production of intermediary products can be neglected; on the contrary, if the production of intermediary products is not well grasped, it

will be impossible to increase the output of final products to the greatest extent. After deciding to proceed from final products in production planning, it will be possible to further rationalize the overall production of intermediary products as well as the planning of imports and exports. That is to say, when the "final products approach" has been adopted, it will be possible to give priority to the planning of the production of intermediary products urgently needed for producing final products. For instance, if we give due importance to the final product--meat--then we will pay full attention to various kinds of machines and other means of production necessary for developing animal husbandry. In the past, these have not been given prior consideration. Adopting the "final products approach" will mean that when the composition and quantities of various final products have been decided upon, those of various intermediary ones will be determined according to the country's actual existing conditions. [HK291506] The quantities of intermediary products depend upon the composition and quantities of the final products as well as upon what paths being taken to obtain these final products. For instance, the same chemical product may be manufactured either with coal or with petroleum as the raw material, and the electric power consumed in producing these products may be generated either by fuel power or by water power. Furthermore, the balance of the means of production between the production of the means of livelihood and that of the means of production is invariably relative, not absolute. This sort of imbalance may be regulated through import in some cases but may not in other cases.... Many complicated conditions still exist in these matters.

Apart from these three issues, there are still other questions which must be raised and studied.

Therefore, proceeding from final products in production planning is a problem that can only be solved through a tremendous amount of research and economic work.

Several months ago while pondering over socialism's superiority, I further thought of the question of having the increased output of final products as the measuring stick for assessing the achievement of overall economic work. Since we proceed from the targets for the increased output of certain categories of major products in production planning, the inevitable consequence is that the attainment of these major product targets is taken as the criterion for assessing the achievement of overall economic work. In other words the main criterion for assessing the national economic development is the output volume, product value and growth rate with reference to the previous year of these certain categories of major products. Till now we have been putting it this way.

Is it right to put it this way and do things in this way? On the one hand we think that the output volume, output value and the growth rate of certain categories of major products are very important for assessing the economic development of a sector or locality or even the overall economy. Especially when examining the achievement of a certain sector or a certain product's production, what else can be checked and examined other than these products' output volume and their value? Even for the matter of examining the overall national economy's development, before other figures are used as the criteria

for assessing the overall national economic development, only these figures can be used to indicate the achievement of our economic construction. Now foreign statistics also supply such figures, and we can study and compare them with our country's corresponding figures. Apart from the growth figures for various major sector products, the total value of all agricultural and industrial products is also available; this is used to show approximately the quantity of all the products of the social production, but it embodies a lot of double counting. Therefore, its absolute value has no precise meaning. However, these quantities and the value of agricultural and industrial production can be used for comparison with those of other years or of other countries obtained through the same statistical methods. At present it is absolutely impossible to stop using such figures.

However, on the other hand we think it necessary to point out that to use such figures and targets for assessing the achievement of our country's economic work is defective in theory and has certain unfavorable effects on our economic enterprise in practice.

We say that so doing is defective in theory because the growth in these certain categories of major products is not necessarily absolutely proportional to the growth of the final products. It is highly probable that the rate of economic development appears faster judging from the growth figures for these certain categories of major products, but in fact the economic development rate might well be considerably slower judging from the growth of final products. That is to say, it is possible that although vast quantities of intermediary products have been produced, they are piled up in the storehouses; that large quantities of goods undergoing manufacturing processes still remain in these processes; that production tools and equipment have been manufactured but the utilization ratio of a great deal of facilities is very low so that they do not function fully, and that the consumption of raw materials and other materials is high.... That means it is possible that large quantities of intermediary products cannot become final products. As time passes these intermediary products will become things without use value and therefore without value, that is, become rubbish; or, they will be consumed for no purpose. For these wasted products, they appear in statistical forms as products which have been created, but very often their waste is not taken into account so that it is not shown in the statistical forms. This is what happens if we just look at various major sector output volume and value.

One other criterion for assessing the national economic development is to calculate a country's gross national income. The use of this figure is more scientific than that of the gross national product or the gross value of industrial and agricultural production, because the element of double counting and the value of various kinds of materialized labor consumed in production are eliminated. Also this kind of figure is a relatively rational statistical item in capitalist countries. Actually, it is very close to the sum total of the four categories of final products described by bourgeois economists. As for a socialist country, it is also a relatively rational statistical item. [HK291508] We should compare ourselves with other countries on the basis of such figures, because, before some better figures can be used to assess the national economic development, using the

national income or the value of wealth newly created in 1 year to assess the achievement is better than using the gross national product or the gross value of industrial and agricultural production.

But we think that for a socialist country, we would rather take the increase in the output of final products and various figures which can best indicate such increase as the criteria for assessing national economic development. The effective increase in the output of final products can indicate whether the "product composition" in our social production is rational; whether the national economic development is balanced; whether efficiency is high; whether labor resources are fully, and so forth. What is more important is that the use of such criteria can more directly reflect the degree of development of the people's livelihood and the country's science, education and culture. Of course, we must do statistical work on and separately study product composition, product overstocks, the length of production cycles, the consumption rate of raw and other materials, the equipment utilization rate, labor productivity, the labor employment situation, and so forth. However, if we want to use a comprehensive indicator to show the socialist national economic development, the increase in the output of final products is most appropriate.

Naturally the conversion of intermediary products into final ones cannot happen instantaneously, and may even not be completely accomplished within the same year. The completion of a huge project, especially, very often takes many years. Before their completion, the effect on increased production of final products cannot be achieved; furthermore, even intermediary products cannot yet be produced, and such projects even require other units to supply large quantities of intermediary products. So to take the criterion of whether the output of final products is increased to the greatest extent to assess the socialist national economic development is only appropriate for a relatively long period of time, say 5, 10 or more years. If this figure is worked out every year, what it indicates is also the fruit of a relatively lengthy period of work and not only that of the current year. Actually, however, this sort of problem also exists in departmental products statistics, the total value of industrial and agricultural production, the gross value of national economic production and the national income; however, the problem for all these is not so obvious. Considering the production of the means of livelihood and the means of production, we should see that since the increased output of final products is not taken as the socialist economic goal, adverse effects are produced on the increase in the production of final products and on the production of intermediary products. However, we should also see the following situation: within a certain time period the growth in the intermediary products production is faster so that relatively speaking the growth of final products is slower. However, when the intermediary products' productive capacity has been formed, the rapid growth of final products can be more quickly realized. We must make historical and logical studies of these mutual relations between the growth of the means of livelihood and that of the means of production and see what kind of experience there is for all countries in the world with advanced production and what sort of actual planning for production are made under certain conditions.

To sum up, the question of socialist economic goals involves a question of an important guiding ideology concerning socialist economic construction. The first thing to study is whether such a guiding ideology is theoretically sound and whether acting according to this guiding ideology is favorable to the great enterprise of achieving the four modernizations in our country. As to how to formulate plans for production according to this guiding ideology as well as how to do statistical work and how to reform various existing systems and methods, this is complex work needing cautious handling. Nevertheless, even if in actual practice many problems cannot be solved all at once, the great significance of clearly understanding such a guiding ideology as concerning the socialist economic goal is not to be underestimated.

Author's Note: After this article was published in CAI MAO ZHAN XIAN, many readers of JINGJI YANJIU said they had been unable to read it. Thus, I sent it to the latter's editorial department for them to consider republishing it. They consented. Now I want to take this opportunity to raise several questions here for consideration.

1. Taking the increase in the production of final products to the greatest extent within possible limits as the socialist economic goal--which socialist objective economic law is this based on? Is this law the fundamental economic law of socialism? What will be the penalty for flouting this law?

2. Should our country's national economic plan include a plan for increasing people's consumption? If it is affirmed that the socialist economic goal is mainly to produce individual consumption goods, then should the target for improving the people's living be taken as the first part of the overall national economic development plan. Should subsequent production development plans be made to insure the upgrading of the people's livelihood? How should the probability of really improving the people's livelihood be worked out? Can plans made in this way be more effective in mobilizing the people to work hard to accomplish them? What are the possible dangers of so doing? What are the special features of our several past 5-year plans with respect to the method of formulating them? [HK291510] What are the strengths and weaknesses of each? Was it more desirable that in our country's 1st 5-Year Plan there was a part on raising the people's living standard along with appropriate targets?

3. How did the thought of production for its own sake develop in our country? What is its source, its ideological essence? Why is this thought so difficult to subdue? Under what conditions is the following acceptable and with respect to what is it incorrect--"production takes precedence over living" and "mending the road takes precedence over mending the house?"

4. How should the relations between agriculture, light industries and heavy industries be understood? In his article "On Ten Major Relations," Comrade Mao Zedong said: "Are you or are you not really concerned about developing heavy industry Do you or do you not take it seriously?...If you are really concerned and take it seriously, than you must pay attention to agriculture and light industry so that there will be more food and raw materials for light industry and more accumulation, as well as more funds invested in

heavy industry." But at present there is such a tune: if you are really concerned about developing agriculture and light industry, or take it very seriously, then you must pay attention to developing heavy industry, so that there will be more heavy industrial products, more accumulation as well as more funds invested in agriculture and light industry. Between agriculture, light industry and heavy industry, as well as between the production of the means of livelihood and the production of the means of production, there is in fact a mutually conditional relationship. However, the above two ways of putting things are obviously different in their essence. How can this knot be untied? What should be the appropriate relative status to be assigned to agriculture, light industry and heavy industry? In the 3d plenum of the party Central Committee, a resolution was made to raise agricultural product prices. Under the condition that the peasants have a higher purchasing power, is the development of light industry an urgent task?

5. How should we view the problem of the capital construction front being too extensive? Why has the excessive extensiveness of the capital construction front brought such great harm to our country's economy? Why is it that this problem has been brought to attention for many years but has never been solved? How should the problem of the targets for national economic growth rate be viewed? What sort of speed targets do we need? What sort of function should the speed targets be allowed to perform in guiding our socialist economic activities? With reference to this question, is there a phenomenon of caring about figures only without caring whether the things produced are useful or not? If there is, what should be done to correct it?

6. What is the relation between the theory of socialist economic goals and the "readjusting" that occupies a key position today when the Eight-Character Guiding Principle is being implemented?

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NATIONAL ECONOMIC POLICY

PRC JOURNAL DISCUSSES INTEGRATED AGRICULTURAL-INDUSTRIAL COMPLEXES

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[Article by Chen Yaoting [7115 5069 1656]: "A Discussion on the Question of Integrated Agricultural-Industrial Complexes"]

[Text] Integrated agricultural-industrial complexes are a new feature in agricultural modernization. At present, many countries have established integrated agricultural-industrial complexes, to point the way to restructuring agricultural production organization, reforming the agricultural management system, raising agricultural productivity and spurring agricultural production. Hence, in modernizing agriculture in our country, it is necessary to make a study of this topic. So as to find out some of the laws governing the development of socialist agriculture.

I

Agricultural modernization includes two topics, modernization of agricultural production technology and modernization of agricultural organization and management. The use of advanced production methods and science and technology to equip agriculture is the material content of agricultural modernization, while the realization of specialization and socialization of agricultural production are the aim of modernization of agricultural organization and management.

The specialization and socialization of agriculture are the natural results of the development of agricultural production and the division of labor in the social structure. Lenin said: "Technological progress naturally leads to the specialization and socialization of the various departments." (Lenin: "On the So-called Market Problem," "Collected Works" Vol I, p 85). The development of modern science and technology and modern industry creates a pre-condition for agricultural modernization in respect of material and technology, while specialization and socialization are production and organization forms which make good use of advanced technology in agriculture and are the necessary conditions for the development of productive force in agriculture. For this reason, in the process of agricultural modernization, attention should be given not only to the modernization of agricultural production technology but also to the specialization and socialization of agriculture and to the modernization of the organization and management of agricultural production.

Integrated agricultural-industrial complexes are business management organs of modern agriculture built on the foundation of agricultural specialization and socialization. They denote the concrete form of the integration of modern agriculture and modern industry. Their growth and development are the results of the development of large industries and they meet the objective demands of agricultural modernization. Over 100 years ago, Marx pointed out: the appearance and development of capitalist mechanized large industries finally tore apart the primitive family ties which bound together agriculture and industry in the early days prior to their development. However, they served at the same time as the forerunner in a material sense of a combination of a new and higher type--the integration of industry and agriculture (Marx: "Das Kapital," Vol I, People's Printing Press 1975, pp 551-552). Reviewing the history of the development of production in human society, we can see a dialectical process of agriculture and industry passing from combination to separation, thence to a combination of a higher grade. If it is said that the primitive form of family labor represented the "family tie" joining together agriculture and industry in the early days and was an ancient and low-level form of union, then the integrated agricultural-industrial complexes of the present time are the "ties in society" joining together modern agriculture and industry and are a modern and high-level form of union. The reason why integrated agricultural-industrial complexes are called the business management organs of modernized agriculture, denoting the concrete form of the combination of modern agriculture and industry, is because they link together in an organic whole such related sectors as production, supply of materials, processing, storage and marketing of products, and also because they actually join into a complete whole agriculture and industry as well as the purchasing and marketing systems, forming a complete integration of agriculture, industry and commerce. To put it correctly, they are integrated agricultural-industrial-commercial complexes.

Fundamentally speaking, the growth of integrated agricultural-industrial complexes originated from the fact that in the course of the modernization of agriculture, specialization and socialization became more intensified every day and reached the stage of the industrialization of agricultural production. This is seen mainly in the following: 1) Many sectors of agricultural production became separated, forming themselves into independent specialized industrial departments. In agriculturally developed countries, cardinal links originally belonging to agricultural production itself such as seed cultivation, fodder processing and fertilizer production are now independently taken care of by industrial production methods.

2) Agricultural production itself has increasingly resorted to the use of industrial production methods and technique, making agricultural production follow the pattern of production in factories. For example, in modernized farms raising domestic fowls and livestock the method of feeding in sealed chambers is adopted, the production process becomes mechanized, electrified and automatic, the flow process in production is in use, production is continuous, manufacturing follows the batch process, and the products are standardized. 3) The fixed assets in equipping agricultural workers have reached a high level, even surpassing that in certain industrial departments. For example, in the United States, the average fixed capital investment for agricultural workers was \$98,000 in 1975. In the manufacturing industries it was \$55,000. [HK270724] Similarly, in West Germany in 1977, the aggregate

fixed assets (not including land and buildings) of the agricultural sector were valued at DM1.028 billion, equivalent to 3.35 times the gross value of agricultural output that year, valued at DM0.307 billion. In other words, each Deutschmark worth of agricultural output was backed by 3.35 times its worth in Deutschmarks in fixed assets. 4) Agricultural production has reached a high degree of specialization. Agricultural enterprises are no longer all-round enterprises which turn out various kinds of agricultural products or can single-handedly complete the entire agricultural production process. Instead, they follow a system of division of labor in the specialization of agricultural production, especially turning out certain intermediate products or engaging in the completion of end products. For example, in cultivating vegetables, some specialize in the production of seeds, some in culturing seedlings, some in the production of a special kind or a special variety of vegetable, and so on. 5) The processing of products has greatly increased and become widely diversified. In the early 1970's in the United States, about 85-90 percent of the agricultural products earmarked for consumption went through processing in various forms and in varying degrees.

As a result of continuous increase in industrialization, specialization and socialization of agricultural production and the continuous intensifying of the division of labor in agricultural work and inside society itself, in the course of agricultural modernization the production of certain kinds of agricultural products requires close cooperation between many agricultural enterprises, between industrial enterprises and between agricultural and industrial departments before their production can be finalized. In this way, the practice and development of modern agricultural production depends not only on agriculture itself but also increasingly on the industrial departments concerned and other social and economic departments. Among the departments, one group serves as the "vanguards of agriculture." They include those departments which manufacture and supply various kinds of agricultural production materials. Another group serves as the "rear force of agriculture." They include those departments which perform such functions relevant to agricultural products as adjustment, packing, storage, transport and marketing. In the course of the industrialization of agriculture, the above-mentioned departments are gradually joined together into an organic whole, that is to say, the "integration of agriculture and industry." And integrated agricultural-industrial complexes are built on this basis. This combination of the agricultural departments, industrial departments and commercial departments in the course of the production and distribution of agricultural products so as to link closely together supply, production and marketing represents a new form of integrating modern agriculture and modern industry. It is a special feature in the management structure of modern agriculture.

Following the development of agricultural modernization after World War II, the United States and certain capitalist states in West Europe began to set up integrated agricultural-industrial complexes in the 1950's. Since the 1960's, Yugoslavia, the Soviet Union and other East European states also began to promote the integration of agriculture and industry and set up integrated agricultural-industrial complexes. In more recent years, some

Third World countries such as Mexico, Peru, Iraq and Egypt have also started to set up such complexes. It can thus be seen that the integration of agriculture and industry and the establishment of integrated agricultural-industrial complexes have pointed the way to the promotion of agricultural modernization and the development of agricultural production in many countries, and play an important role in this connection.

II

Integrated agricultural-industrial complexes are the natural result of the development of industrialization, specialization and socialization in agriculture. At the same time, they greatly help to further raise agricultural productivity and promote the development of agricultural production.

First, agricultural production in the integrated agricultural-industrial complexes possesses many special features of modern industrial production. This greatly helps the agricultural workers to improve their production technique, to even up their standard of skill and efficiency, and to raise their scientific and cultural level. In this way, they can better exert themselves in production and bring about even higher labor productivity.

Second, as a result of closely joining together agriculture and industry and putting into practice specialized production, the integrated agricultural-industrial complexes are able to apply to agriculture the production methods, technological procedure, business management systems and modern science and technology used in industry and to truly practice "scientific farming." They are thereby able to continually raise the labor productivity rate. Marx said: Large-scale mechanized production requires "the self-conscious use of natural science to replace rules gained from experience" (Marx: "Das Kapital" Vol I, p 423)... "the entire production process does not directly depend on the skill of the worker but instead on the application of science and technology" (Marx: "Outlines of Criticism of Political Economy" (Draft) Vol III, People's Printing Press, 1975 p 349).

[HK270736] Modernized agricultural production requires not only advanced machinery equipment but also the use of modern science and technology to control and change the character and growth environments of agricultural products and of livestock products, so as to achieve the target of raising agricultural labor productivity. In agriculturally developed countries, the application of modern science and technology in agriculture includes principally the culturing of good seeds, the use of highly-efficient chemical fertilizer, the use of high-efficiency and low-toxic farm drugs and fire-extinguishing chemicals, and also the use of lasers, electronics, hydraulic fluids, and remote sensing technology. According to a statistical analysis, 30 percent of the increase in grain production in the United States is derived from the application of chemical fertilizer, while the spending of about \$4 billion a year on preventive chemicals can cut down the loss of agricultural products by \$15 to \$18 billion. According to another statistical analysis, a comparison of the grain output per labor-day reveals rather big differences among the countries of the world. The differences range from 10 jin to as much as 10,000 jin or over 10,000 jin. Aside from the differences in social and natural conditions, these differences directly reflect the different

levels achieved in "scientific farming" and in the application of science and technology. Therefore, the development of integrated agricultural-industrial complexes can bring about even further the wide application of modern science and technology in agriculture, and constitutes a very important factor in greatly raising agricultural labor productivity.

Third, integrated agricultural-industrial complexes unify agriculture with other sectors in the social structure and make possible raising to an unprecedented degree the socialization of agriculture. This unification is many-sided. It includes unification with industrial departments, transport departments, commercial departments and scientific research bodies, and also includes division of labor and coordination within agriculture itself. Unification with other sectors in society and extensive coordination between them in the course of agricultural production can serve not only to raise the productivity rate of each enterprise but also to create a kind of mass productive force: "This type of productive force arises from coordination itself" (Marx: "Das Kapital," Vol I, p 366). It has an innate difference from just mechanically adding together the productive power of individual enterprises. Take, for example, the case of a modernized chicken farm: One worker alone can handle the feeding of tens of thousands of chickens. Aside from the wholesale mechanization, electrification and automation of chicken-farming, another important reason why labor productivity can reach such a high level is because the entire process of chicken-farming has virtually been dissected and transferred to various specialized departments in the social structure (such as breed production, chick incubation, raising of broiler chickens, feed mixing, production of preventive medicine, installation of equipment, slaughtering and processing, transport and marketing. And the relevant specialized departments have achieved extensive coordination.

Fourth, due to the high degree of mechanization, the wide use of modern science and technology and the intensifying specialization of agriculture, all of which have greatly strengthened the utilization and control of natural conditions, the agricultural production of integrated agricultural-industrial complexes has greatly contributed to the increase in agricultural productivity. An important feature in agricultural production is taking natural factors as major production factors and injecting them directly into the agricultural production process. In this way, the raising of agricultural productivity depends on the utilization and control of natural conditions. For example, in putting into practice specialization in production, integrated agricultural-industrial complexes help in the utilization of natural conditions such as those relating to soil, climate, rainfall and sunshine, to organize various forms of specialized production. This enables the full utilization of topographical advantages and makes possible the full and rational use of natural resources. At the same time, the industrialization of agricultural production contributes to lowering the dependence of agriculture on natural conditions, sometimes basically eliminating the harmful influences of the natural environment. For example, thanks to the use by egg farms of the sealed-chamber method in feeding chickens, seasonal variation of egg production has basically disappeared. In the 1920's, about 70 percent of egg production in the United States was concentrated in the spring and summer, particularly the spring, but by the 1960's, egg production in the autumn and winter accounted for 50 percent

of the total. This shows that the seasonal influences on egg production have virtually disappeared. In the plantation business, seasonal factors still persist but because of the extensive amount of work done in water conservancy and chemical research, many departments have greatly reduced their dependence on climatic conditions.

[HK270746] Labor productivity is an important tool to measure the merits or demerits of a certain socioeconomic system. In similar manner, it can be used as a yardstick to determine whether a certain specific form of production organization under a given social system is good or bad.

Fundamentally speaking, the fact that integrated agricultural-industrial complexes have led the trend in agricultural modernization and are increasingly flourishing may be attributed to their ability to effectively raise labor productivity in agricultural production.

III

Integrated agricultural-industrial complexes were first started and developed after World War II in the course of the modernization of capitalist agriculture. Under a capitalist society, they could not, on the one hand, avoid coming up against the restrictions, contradictions and special features inherent in the capitalist system. On the other hand, they came into being as a result of the development, within the confines of rules and regulations, of the productive force of society, as seen objectively. Lenin clearly pointed out: "We cannot imagine that there is another form of socialism outside the socialism which has laid its foundation on the experiences gained from the immense capitalist culture" (Lenin: "Meeting of All-Soviet Central Executive Committee," Collected Works, Vol 27, p 285). For this reason, after winning victory in our revolution, we must and should learn from capitalist agriculture all the useful and scientific things in order to bring about the modernization of our country's agriculture. In reality, the growth and development of integrated agricultural-industrial complexes have had profound effects on capitalist agricultural production and on capitalist economy. A penetrating study of the question of integrated agricultural-industrial complexes in capitalist countries is necessary to achieve an understanding of the development and changes in capitalist economy. It is also of important significance for studying the problems of the modernization of socialist agriculture and the development of the national economy.

1. By joining together agriculture and industry and the agriculture-related service trades into one single body and forming a modernized agricultural structure, the integrated agricultural-industrial complexes pave the way for the close combination and joint development of agriculture and industry. In the central sugarcane producing area of Louisiana in the United States, there exist not only companies dealing in sugarcane machinery but also sugar refineries which attend to sugarcane planting and harvesting on behalf of the farmers, this being a combination of farm and factory. The farm signs an agreement with a local sugar refinery whereby the farm is only responsible for field management in sugarcane production, leaving other jobs such as planting, harvesting, transporting and processing to be taken care of by the sugar company. This puts the many sectors of sugarcane production onto the

track of industrial production. On harvesting the sugarcane, the sugar refinery starts operations and employs farmworkers as temporary workers. The sugarcane residue is returned to the farmworkers for use as fodder. This modern form of production structure linking together agriculture and industry has many superior points: it joins together the various mutually related sectors such as production, processing, storage, transport and marketing, helps in bringing about a close liaison between industry and agriculture and between production and marketing, and enables them to achieve a coordinated development; it is beneficial to strengthening planning work inside the complexes, enables the smooth carrying out of the production process and circulation process, thereby speeding up the turnover of capital funds; it helps in reducing intermediate jobs, curtails wastage of products, and lowers production expenses and circulation expenses, and thereby cuts down the production costs of products; it helps in the comprehensive utilization of "wastes" and promotes the development of rural economy; it facilitates the seasonal adjustment of labor power and provides jobs for spare rural labor power; and so on. Naturally, these superior features are restricted by the private ownership system of capitalism and therefore cannot fully exert themselves. However, under the socialist system, there is no doubt that they can assert themselves to the fullest extent.

2. Following the development of the integrated agricultural-industrial complexes, the functions of the different segments of the departments supplying agricultural production materials and of the processing departments have become increasingly strengthened, while the functions of the segments pertaining to actual production itself have been relatively weakened. At the same time, the position occupied in the national economy by departments serving agriculture has become increasingly important. This may be illustrated by the following: 1) Farms usually spend large sums of money on purchases of agricultural production materials and do much processing work on the agricultural products. In the early years after World War II, of the production expenditures incurred by farms in the United States (not including taxation and interest payments) about 40 percent were for the purchase of production materials supplied by industrial departments. By 1970 this had gone up to around 60-70 percent. In the 1970's, of the agricultural products marketed for consumption in the United States, about 85-90 percent had gone through various forms of processing and in varying degrees. 2) In the value composition of agricultural products the vanguard and rear sectors usually occupy a large proportion. Prior to World War II in the United States, the proportions occupied by the three sectors were: vanguard department, 11 percent; agriculture department, 54 percent, and rear department, 35 percent. [HK270757] After the war, their proportions were respectively 20 percent, 26 percent and 54 percent. 3) In the composition of labor power, the relative proportion occupied by the vanguard and rear departments was high. In the United States, in 1947 the proportions attributed to the departments were: vanguard department, 20.1 percent, agriculture department, 41.8 percent and rear department, 38.1 percent. By 1960, the proportions were changed respectively to 27.6 percent, 29.1 percent and 43.3 percent. In the 1970's, for every worker employed in agriculture, three and a half were employed by the departments serving agriculture.

From the above discourse on the changes in the structure of agricultural production in the United States, it can clearly be seen that in the

modernization of socialist agriculture in our country, to organize well the integrated agricultural-industrial complexes in conformity with our country's actual conditions and in a planned and systematic manner is an important task in pursuing well the guideline of "taking agriculture as the foundation and industry as the leading factor" and in actually performing, not just in words, the task of shifting the national economy to the track of taking agriculture as the foundation.

3. Integrated agricultural-industrial complexes help in uniting together industry and agriculture as well as uniting together cities and rural areas, gradually reducing the differences between them. For a long time in the development of capitalism, the discrepancies of agriculture lagging behind industry and rural areas lagging behind cities have all along existed. However, with the modernization of agriculture, these differentials have daily dwindled and the development of integrated agricultural-industrial complexes has played an important role in this. 1) Within the integrated agricultural-industrial complexes, agriculture and industry are closely linked together. The industrial sectors provide the agricultural sectors with materials and technology. The agricultural sectors can promptly receive industrial equipment and services and can vigorously spur the technical rebuilding of agricultural production, enabling agricultural production to turn to the track of industry. 2) Within the integrated agricultural-industrial complexes, a number of tasks originally belonging to agricultural production have been gradually transferred to industry, thereby setting up many new industrial departments serving agriculture. In the United States, the processing of fodder materials has become a specialized trade and is one of the 21 large industries in the country. The gross value of its output has surpassed that of the farm-machine building industry. This has not only spurred the development of the industrialization of agriculture but also promoted the adoption of modern science and technology in agriculture. 3) The integrated agricultural-industrial complexes have joined together into one whole agriculture, animal husbandry and the processing industry. This not only stimulates the industrialization of agriculture but also enlarges its fund accumulations and increases the income of the peasants. In recent years, integrated agricultural-industrial complexes in certain countries have resorted to the development of the agricultural and animal products processing industry in an attempt to extricate themselves from reliance on the urban areas and to make agriculture flourish. This processing industry has its plants located in the rural areas or in suburbs of cities and towns. It is directly combined with agriculture. Before agricultural products enter the consumption stage, they are processed on the spot. Thus, wheat is processed into bread; pork, beef and vegetables are processed into canned food, sausages and finished vegetable food products, while grapes are processed into wine, and so on. This greatly increases the economic value of the products. At the same time, the on-the-spot procurement of materials, processing, production and marketing cuts down transport costs, reduces wastage of products, speeds up the turnover of capital funds, lowers production cost, narrows the price differences between industrial and agricultural products, expands capital accumulation of agriculture and increases the income of the peasants. In this way, agricultural production

and this rural economy are greatly changed in appearance and are brought closer to industry and the urban areas, and the discrepancies between industry and agriculture and between cities and the countryside are gradually reduced. It can be imagined that under the socialist system, following the development of agricultural modernization, integrated agricultural-industrial complexes will provide an even more powerful framework for gradually reducing and eventually eliminating the discrepancies between industry and agriculture and between the urban and rural areas.

In addition, under our country's socialism, the policy of spurring the combination of agriculture and industry to form an organic whole and the establishment of integrated agricultural-industrial complexes and promoting their development will be useful in the training, guidance and management of cadres for modern agriculture, in raising the scientific and cultural level of the peasant masses, in fundamentally transforming the manual form of labor found in our country's agriculture and in transforming the people's thinking and daily life.

Summarizing the above, we can see that integrated agricultural-industrial complexes present a good pattern for the organization and management of modern agriculture. At present, in order to speedily accomplish the modernization of our country's agriculture, we must conform with the actual conditions of our country and fully display the superiority of the socialist system. On the one hand, we must firmly solidify the material and technical foundation of our agriculture and equip it with modern science and technology. On the other, we must absorb the advanced experiences of foreign countries and proceed to improve and perfect the form of organization and management of these complexes, making them conform with the conditions of our country and perform their inherent positive functions. In my opinion, this is truly an important lesson we must earnestly study.

CSO: 4006

ECONOMIC PLANNING

'JINGJI GUANLI' ON ECONOMIC MANAGEMENT STRUCTURE REFORM

HK291512 Beijing JINGJI GUANLI in Chinese No 11, 25 Nov 79 pp 11, 20 HK

[Article by Liu Mingfu [0491 2494 1133]: "How Should We Proceed to Reform the Structure of Economic Management?"]

[Text] In his "Volume V," Comrade Mao Zedong has several very important passages, saying: "Relations between production and exchange in accordance with socialist principles are being gradually established within and between all branches of our economy, and more and more appropriate forms are being sought." (Selected Works of Mao Zedong, Vol V, p 374). He also said: "Every unit of production must enjoy independence as the correlative of centralization if it is to develop more vigorously." (Selected Works of Mao Zedong, Vol V, p 273). Comrade Mao Zedong also said that we must learn to do business and give some rights and interests to enterprises. Could these ideas of Comrade Mao Zedong be understood to mean that the method of having everything centralized in organs of state power and having everything by the central authorities will not work?

How should we proceed to reform the structure? A few questions are raised below for study:

I. Is it necessary to establish our planned economy according to the laws of commodity economy under socialism?

II. How can we guarantee that our commodity economy will be brought into the path of socialism and the orbit of planned and proportionate development? In my opinion, such a guarantee can be achieved from six aspects: 1) economic plans; 2) economic contracts; 3) economic legislation; 4) economic policies; 5) economic activities to carry out the party's policies and 6) party leadership and the awareness of the masses.

Accordingly, our plans need not and cannot be all-embracing. Stress should be put on medium- and long-term plans; we should handle properly the ratio, strengthen national defense and improve the people's livelihood and avoid production for its own sake and construction for the sake of production; we should not have any breach in our plans and we should have economic divisions and economic centers.

III. How can we combine planning with flexibility, unification and freedom with leadership? I suggest that we adopt the method of three plannings (central, local and enterprises with enterprises as the key link), three targets (assigned, adjustable and reference) and three prices (unified, agreed and free). Should the freedom with leadership mentioned by Comrade Mao Zedong in 1956 be included in the freedom of management, purchase, sale and competition under the guidance of unified planning? I think the advantages of such freedom under leadership are to enable us to make up the deficiencies in our plans, to enable the staff and workers of enterprises to have more opportunities and initiative to understand and master objective laws and to step up the progress of society.

IV. We must recognize the comparative independence of each enterprise as a commodity dealer and strengthen the economic accounting system. Enterprises should take up responsibility for their economic results. We must link the personal benefits of staff and workers with the profits and losses of their enterprise as well as their own labor. Moreover, enterprises may take full responsibility for their own profits and losses. After practicing the integration of taxation with profit surrendering, the state will gather the funds it needs by means of taxation. Enterprises will not need to surrender their profits anymore.

V. How can we organize various enterprises according to the principles of coordination among specialized fields? The combination of production, supply and marketing does not mean the combined operation of the three. We must analyze what commodities still need to pass through intermediaries. As for enterprises which need to practice combined production, supply and marketing operations, we must also make concrete analyses as to what products should be earmarked mainly for industrial enterprises, what mainly for commercial ones and what mainly for agricultural ones. Enterprises may practice combined operations on transregional and transtrade bases. They may also practice joint operations between two public ownerships.

VI. Which service trades should be developed? For example, those trades serving the people's daily needs, production, scientific research, education and culture should be socialized.

VII. What hiring services should be established? For example, it is unnecessary for each enterprise to have its own vehicles and certain instruments and apparatus. Hiring services are advantageous in solving material shortages. This is also a form of economy for the society.

VIII. How can we make use of taxation and interest charges as an economic lever to make rational adjustments to the price of commodities to put different trade enterprises having independent accounting in the same position of fair competition?

IX. How should we set up different economic coordination organizations to consult with each other periodically to make adjustments, act in unison and handle disputes? We should not set up a trust for each trade. Competition should be encouraged. Several companies may join together to set up a trade union.

X. We should establish economic divisions over the whole country and organize rational economic cooperation.

XI. We should set up a number of economic centers and hubs of circulation over the whole country to organize the circulation of commodities according to their rational flow.

XII. How should we strengthen commercial administration? Commercial administration should also keep an eye on speculation and profiteering activities besides its business registration work. What shall we do if after personal income is linked with the profits of enterprise, some enterprises are only interested in handling certain moneymaking products and will not care about miscellaneous commodities? This can be managed by the stipulation of the scope of business by industrial and commercial administration.

XIII. We must draw up different economic rules and regulations.

XIV. How can we simplify the administrative structure, improve and strengthen the leadership of the party and government over economic work and step up the study and drawing up of medium- and long-term plans.

XV. We must be mentally, organizationally and materially prepared for major transformation.

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ECONOMIC PLANNING

PRC JOURNAL DISCUSSES SOCIALIST COMMODITIES AND PRICES

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[Article by Sun Shangqing [1327 1424 3237], Zhang Zhuoyuan [1728 0587 0337] and Chen Jiyuan [7115 0679 0337]: "An Appraisal of the Discussions on Socialist Commodities and Prices in China's Economic Circles in the Past 30 Years"]

[Text] The problem of commodity production and the law of value under socialist system is a very important and complicated one concerning economic theory raised in the practice of socialist construction since the founding of New China. This problem has long been under discussion by China's economic circles. In the past 30 years, thousands of articles have been carried in newspapers and magazines, dozens of monographs have been published and hundreds of academic discussions of varying scales held, including the national symposiums in 1959 and 1979. These two large symposiums marked the two high tides in the study and discussion on commodity production and law of value.

The 30-year study and discussion on commodity production and law of value has undergone a number of stages, which were in keeping with the development of the socialist economic construction, with the gradual accumulation of practical experience for exploring better development and with perfection and changes of economic policies. The process of the discussion on commodity and value has been, on the whole, a process of cognition and of gradual approach to the general truth. During the long course of approaching the truth, it is inevitable that we will meet with setbacks, twists and turns. A certain setback in our socialist economic development cannot be considered to have no connection with twists and turns in economic theory.

The source of theory comes from practice but theory has also great effect on practice. Judging from the effect caused by the theoretical viewpoints put forward in the course of discussion on commodity and value, the result turned out to be basically positive, though at the same time, there were some incorrect points of view which had a negative influence.

During the discussion, most of the monographs could, under the guidance of Marxism, be closely combined with the reality of the socialist construction in China, could conduct investigation in the face of practical problems, absorb experiences and draw lessons from socialist construction in other countries. By gradually making comprehensive and deep analysis on the

essence of economic phenomena, the monographs could draw conclusions that relatively well conform to objective reality, play a positive role in the practice of socialist economy, and also make contributions to building the socialist portion of political economy.

However, some monographs with erroneous points of view were also published. They proceeded either from books regardless of the actual situation in economic practice or else followed a certain erroneous ideological trend to distort what had really happened in economic practice. Thus, some monographs played a negative role in practice. The erroneous viewpoints on the problem of commodities and values mostly and chiefly dealt with the "leftist" viewpoint that the necessity of commodity production and the role of the law of value under the socialist system were negated to varying degrees.

In his book "Economic Problems of Socialism in the Soviet Union," Stalin reflects, to a great extent, the experiences of socialist economic construction of more than 30 years in the Soviet Union. It has epoch-making significance in ideological history of political economy. Stalin authoritatively affirmed for the first time the necessity of commodity production and exchange of commodities in socialist economy, and affirmed that the law of value was "a very good school for practice," etc. All these theses played very important and guiding roles in the development of economic theory and economic construction in China. But at the same time, there are a few theses in Stalin's works, which are considered to be incorrect or not entirely correct for the present day, such as the thesis that the exchange of means of production within ownership by the whole people is not a commodity, and the thesis that the law of value only affects but does not adjust the socialist production. These viewpoints and theses have shackled people's mind and adversely affected the improvement of economic management system for a long time.

Economic theories, including the theory of commodity and value under the socialist system, invariably develop in accordance with the development of the practice of socialist economy. Since the party Central Committee smashed the "gang of four," guided by the principle that practice is the sole criterion for testing truth, the principles of seeking truth from facts and integrating theory with practice and so on, the policy of letting a hundred schools of thought contend has been implemented and economic and all academic circles have marched towards prosperous expansion.

At present, vast numbers of China's economic theoretical workers fully affirm the significance of developing the socialist commodity production and exchange, and take good care of the role of law of value. Handling affairs in accordance with the law of value is taken as a key to improving China's economic management system and economic structure, and to accelerating the modernization of socialist construction. We consider all this to be a gratifying achievement that China's economic circles have gained from the discussion on the problem of commodities and values for the past 30 years.

We divide the discussion into four periods and make brief reviews and comments, as follows.

I

The first upsurge of the discussion on commodities and values under socialist system in China's economic circles was around 1956 and 1957, when the socialist transformation of agriculture, handicrafts and capitalist industry and commerce had basically been completed. At that time, the relationship of the whole social economy was undergoing great changes and socialist economy was becoming the sole economic basis of the whole society. The popular theories in the early years of the 1950's, which explained the existence of commodity production and the exchange of commodities by the coexistence of multi-economic sectors, were challenged by actual economic life. [HK200601] Economic scholars were confronted with important theoretical problems. Were commodity production and exchange of commodities compatible with relations of socialist production? What was the relationship between commodity production and socialist public ownership and the principle to each according to his work? What changes were there in the function of the law of value, namely the basic law of commodity production? What were the characteristics of the law of value? All these problems needed to be discussed and settled. So there ensued a heated discussion on the problems. At that time, the discussions revolved around the objective inevitability of the existence of socialist commodity production and the relationship between planned economy and the law of value. Comrade Xue Muqiao's article published in RENMIN RIBAO on 28 October 1956 was the prelude of the discussion.

At that time, the viewpoints put forward by Stalin in "Economic Problems of Socialism in the Soviet Union" occupied the dominant position. These viewpoints held that the coexistence of two kinds of socialist public ownership was the cause of the existence of socialist commodity production. They considered that with the establishment of socialist public ownership, the law of planned and proportionate development of national economy would replace the law of commodity production, and become the regulator of production. The viewpoints also held that with the expansion of the range of planned management in a state of dictatorship of the proletariat, the function of the law of value would further be restricted. The prevalence of such viewpoints conformed with the Soviet way that we had followed in dealing with economic work.

However, a number of articles followed which broke away from the conventions of "Economic Problems of Socialism in the Soviet Union" and distinctively put forward some ideas that proved to be correct in practice later on.

In the sphere of commodity theory, some articles proved the reason why commodity relationship existed in socialist society, especially within ownership by the people, proceeding from the idea that the principle of material benefit or relationship of material benefits still existed in socialist society. Thus, the articles affirmed that the exchange of the means of production within ownership by the people was nothing but a commodity. ("On the Function of the Law of Value and the Value of the Means of Production Under Socialist System" written by Nan Bing and Suo Zhen, in JINGJI YANJIU No 1, 1957)

In the sphere of the law of value, there were also two viewpoints that merited particular attention.

The first was the viewpoint put forward by Comrade Sun Yefang in 1956. This was a viewpoint which held that planning should be made on the basis of the law of value. He held that the basic content and function of the law of value would exist in both socialist and communist society, that is to say, through the average and necessary amount of labor in society, value was determined to promote the development of productive forces, to adjust social production and to distribute productive forces. Only in the commodity economy under private ownership, did the law of value express itself and play its part through the circulation of commodities and market competition. So it was destructive. But in the planned economy, we should take the initiative in ascertaining the law of value by making calculations. Comrade Sun Yefang stressed that the development plans of China's socialist economy should be based on the law of value. He raised the role of the law of value to unprecedented heights that caused people to open up a wide field of vision in their approach to that problem. ("Placing Plans and Statistics on the Basis of the Law of Value" written by Sun Yefang, JINGJI YANJIU No 6, 1956)

The second was the viewpoint put forward by Comrade Gu Zhun in a treatise published in 1957. He held that the socialist economy was the unity of contradictions between planned economy and economic accounting, and that the law of value adjusted social production by means of economic accounting system. The highest degree of the adjustment was "to establish close relationship between the material reward of laborers and the profits and losses of enterprises, and to make prices become the major tools for adjusting production. Since an enterprise can spontaneously seek profitable production, it is natural that prices will keep fluctuating. This kind of fluctuation is, as a matter of fact, adjusting production. At the same time, there is a unified economic planning in the whole of society, but this planning is 'a certain foresight not a fusion of individual plans,' so it is more flexible and it should lay more emphasis on fixing some important economic target instead of making concrete regulations on the economic activities of enterprises. ("An Appraisal on the Commodity Production and the Law of Value Under the Socialist System" written by Gu Zhun, JINGJI YANJIU No 3, 1957) That was the proposal which suggested making good use of the law of value to adjust the socialist economy.

Although the above-mentioned proposals were refuted again and again as revisionist, after being put forward by Comrade Sun Yefang and Comrade Gu Zhun, the basic contents of the proposals have been proved correct by socialist construction both in China and in other countries. They also conform to the guiding principles of the reform in economic management system which we are now engaged in. Raising such ideas of foresight and sagacity at that time should be considered brave enough in matters of theory. It is of great significance in the history of the development of the theories on commodities and values.

II

After the first 5-year plan had been successfully completed, Comrade Mao Zedong called on the people to do away with blind faith and emancipate the mind, and to sum up China's experiences and learn the experiences of other countries with critical eye. The movement of setting up people's communes was launched in 1958. With great enthusiasm, vast numbers of China's economic scholars threw themselves into the investigation of commodity production and the law of value.

It was at that time that Chen Boda, a sham Marxist political swindler, took the lead in negating commodity production and the law of value. He stirred up a "communist wind" of egalitarianism and indiscriminate transfer of resources in the countryside, while in industry, he preached that no attention should be paid to production cost in steel-making, and calculation should be made only from a political point of view, regardless of economic results. Under these circumstances, a number of articles which advocated absurd arguments appeared within a few months.

At the end of 1958, the Sixth Plenary Session of the Eighth Party Central Committee promptly repudiated the viewpoints that negated commodity production and the law of value. The session pointed out clearly, "To develop further commodity production and to keep to the principle to each according to his work are two major issues of principle for the development of the socialist economy. The whole party must reach a common understanding. While some people are trying to 'get into communism' ahead of time, they are in such a hurry that they abolish commodity production and exchange of commodities and they negate the positive role of commodities, values, currencies and prices. Such an idea is harmful to the development of socialist construction, and so it is incorrect."

In March 1959, to counter the "communist wind" of egalitarianism and indiscriminate transfer of resources, Comrade Mao Zedong pointed out that only by working out accounts could the objective law of value be carried out. "This law is a great school. Without making use of this law, it is impossible to teach well tens of millions of our cadres and hundreds of millions of our people, and to build our socialism and communism. Otherwise, all this will come to nothing." The scientific viewpoint raised by Comrade Mao Zedong was a turning point in the study of socialist commodities and values in China's economic circles.

After that, the study of commodities and values in the economic circles soon turned from criticizing the "communist wind" to the historical role and function of socialist commodity production. They discussed the problems of whether commodity production should be developed or restricted in building socialism, whether the law of value should be respected in socialist construction, and why the law of value was called a great school. A national symposium on economic theories with commodity production and the law of values as the main topic was held in April 1959. The symposium brought the discussion on commodity production and the law of value to a climax.

As a result of the discussion, relative unanimity of understanding was reached on the following problems.

First, China is an underdeveloped country which is not rich in commodity production. Our commodity economy is not ample, instead, we are deficient. We lag behind the developed capitalist countries in commodity production and we are still more backward than India. The rural population accounts for more than 80 percent of the total population of China. The people in the rural areas are leading a semi-self-sufficient life. Along with the development of social productive forces, division of labor is getting more elaborate, production is becoming more specialized and the degree of socialization is rising. So social economy will inevitably be developed. Commodity production at present is first of all, a major problem of how the working class should unite with 500 million peasants to build socialism. As far as the rural people's commune is concerned, apart from promoting the exchange of commodity production with the state and other communes, the commune itself needs to develop commodity production and exchange of commodities with its subordinate units. ("On the Commodity Production and the Law of Value in Rural People's Communes" by Xu Dixin, JINGJI YANJIU No 1, 1959)

Second, commodity production exists from the later period of primitive society to socialist society. But the social characteristics of commodity production, namely reflection of relations between man and man in commodities, the position and function of commodity production in social economic life are not the same. Comrade Yu Guangyuan clearly pointed out that the concept of "universal exchange of commodities" should be regarded as the comparison of the products which implied the necessary social labor in the course of the exchange and as the implementation of the way and principle of exchange for equal amount of labor. The products which are involved in such kind of exchange are called commodities. So the exchange of two ownership systems under socialist system, the exchange between one state enterprise and another and the exchange between society and individuals are all commodity relationships. ("On the Discussion of Commodity Production Under Socialist System" written by Yu Guangyuan, JINGJI YANJIU No 7, 1959)

Third, socialist commodity production and exchange of commodities cannot lead to capitalism. Public ownership is practiced in socialist society and commodity production is carried out under the guidance of state planning.

Fourth, in the relationship between various kinds of exchange under socialism, the function of the law of value should be admitted and respected, and exchange of equal values should also be maintained. [HK200621] In particular, in handling the economic relations with collective ownership, egalitarianism and indiscriminate transfer of resources must be opposed, exchange at equal value must be carried out and prices must be calculated in relations between the state and commune and in relations within the units of the commune. Meanwhile, the adjusting role that the law of value has played in the economy of the collective ownership must be acknowledged. This adjusting role should be taken into consideration while giving instructions on the production of the collective economy and making arrangements for selling and delivery.

Fifth, the law of value is really a great school. This is because first we can learn how to handle correctly, from economic relations, contradictions among the people from this school. Secondly, we can learn economic management. In the relationship of exchange between the state and the commune, between commune and commune, and the exchange within the units of the communes, exchange at equal values is aimed at keeping and encouraging the initiative of production in the economy of collective ownership. In the relationship of exchange between the state and the workers, exchange at equal values is for correctly implementing the principle to each according to his work. In the relationship of exchange between one state enterprise and another, the exchange is aimed at making compensation for the drain on labor, carrying on reproduction and setting up a strict economic accounting system.

Sixth, the function of the law of value must be utilized in order to serve the socialist planned economy. The law of value can be used by the state as a basis for national economic planning. It can be used for affecting the production and sales volume of some products, and can be used as an additional means for adjusting planning and reaching balance between supply and demand. The law of value can be used for organizing economic accounting and bringing about better results in economic activities. It also can be used as a tool for distributing and redistributing the national income and so on ("Commodity Production and the Law of Value Under Socialist System" by Xue Muqiao, HONGQI No 10, 1959). Some comrades further explained that the genuine role of the law of value lay in raising labor productivity and in expressing its activities in promoting production. Our main problem today is how to guard against its negative and destructive effects and bring into full play, by all means, its positive role of promoting production ("Bringing Into Full Play the Positive Role of the Law of Value in Our Socialist Economy" by Wang Yanan, RENMIN RIBAO 15 May 1959).

Seventh, the law of value and the law of planned and proportionate development of national economy do not repel one another, that is to say, as one falls, the other rises; as one is getting strong, the other is getting weak. In organizing economic activities, including drawing up a plan, the government should consider not only the role of the law of planned economy but also the role of the law of value. This is because these two laws operate simultaneously in actual life. As long as there are economic conditions under which a certain law of economy exists, the law is bound to operate, and it will never stop operating because of the existence of other economic laws.

Eighth, since the law of value is an objective economic law, the law of value cannot itself be designated as playing a positive or negative role. We can only say under which circumstances will the law of value achieve favorable results or unfavorable ones for us. In the meantime, as far as the law of value is concerned, there is no difference at all between the conscious effect and the spontaneous one. The law exists in objective reality and will always operate spontaneously. The only difference is whether we know it or not, and whether there are conditions for making use of it in order to reach the fixed purpose.

Needless to say, the above-mentioned viewpoints were acquired as a result of studying the lessons drawn from economic construction in 1958, and were spiritual wealth paid for by high tuition fees. So they were very precious. These viewpoints were later proven correct in practice. Not only did they enrich Marxist theories on commodities and prices, but also played a guiding part in socialist construction.

It is necessary to note two more points here:

First, the main spearhead of the economic monographs at this period was aimed at repudiating Chen Boda's fallacies of abolishing commodity production and negating the law of value. In addition, emphasis was laid on expounding the roles of commodity production and the law of value between the two kinds of public ownership. As to the problems of whether there is commodity production within ownership by the whole people and what is the role of the law of value, although there were some discussions on these problems in a few articles and even affirmative answers were made ("The Necessity and Peculiarity of Commodity Production Within Socialist Ownership by the Whole People" by Zhang Chaozun, JIAOXUE YU YANJIU No 6, 1959), the common viewpoints at that time still denied that exchange of means of production within ownership by the whole people was virtually commodities, and denied that the law of value managed to adjust the production and circulation of the economy of the ownership by the whole people. The viewpoints then also denied that mechanism of the market should be fully used for planned adjustment of socialist economy, and denied that socialist enterprises were relatively independent commodity production units. Not until the "gang of four" was smashed were the problems gradually discussed and new progress in the discussion achieved.

[HK200634] Second, some monographs still viewed the law of value as a negative thing and considered both this law and the planned development law to be mutual exclusive. Thereby many theories were set forth such as the theory of "substitution" (That is to say, as socialist transformation is basically completed, the adjusting role of the planned development law will substitute for that of the law of value.); the theory of "restriction" (As the planned economy develops, the scope of the role which the law of value plays will be restricted.); the theory of "serving as an instrument" (The law of value can only be treated as an instrument in planning); the theory "As one falls, the other rises, just like the diagram representing the yin and yang elements" (namely as the role of the planned development law becomes stronger, that of the law of value turns weaker and vice versa); the theory of "A wild nature is hard to change" (That is, under the socialist system, though the law of value plays a certain part, it is still destructive and needs to be controlled). As shown by practice, theories like this do not conform to the reality of socialist economy. Inevitably they bring great harm to socialist construction.

III

Starting in 1961, the party Central Committee formulated the policy of "readjustment, consolidation, filling out and raising standards" for the national economy in order to overcome the serious economic difficulties.

The leading economic authorities and economic circles were thus engaged in contrasting the experience acquired during the First 5-Year Plan with that after 1958, conducting conclusive research on both these experiences and summing up the positive and negative lessons in economic policies and theories. As a result, many good articles expounding commodities and prices emerged in the discussion. One of the specific features of these articles was to link theory with practice and directly combine socialist commodities and theory of value with the improvement of economic management, extricating the articles from going to the extremes and one-sided viewpoints which used to be expressed in some monographs 2 years before.

In the early days of the 1960's, the discussion on socialist accounting and economic result in economic circles should be taken as an inevitable outcome and extension of the deeper study about the socialist commodities and theory of value. In the aspect of economic accounting, Comrade Sun Yefang suggested "raising the position of profit index in the system of planned management" and held that "the amount of profit is the most comprehensive index for showing whether the technical level is high or not and if management is good" ("Profit Index of Planned Management Under Socialist System," "Some Theoretical Problems on Socialist Economy" by Sun Yefang, People's Publishing House 1979 Edition pp 266, 265). Profit is precisely an index of value which shows how people run enterprises by using the law of value. As for the economic results, Comrade Sun Yefang reiterated his views that the most possible use value to satisfy the needs of the society should be attained at the cost of the least possible consumption. And this is exactly what the law of value seeks, namely making individual labor input of products lower than the necessary labor input of society. In order to evaluate correctly the management of enterprises and other economic sectors, Comrade Sun Yefang and some other comrades suggested prices be fixed by capital profit margin and according to the cost of production. At the same time, we find there are still some defects in the proposals of Comrade Sun Yefang--such as denying the role of material reward and denying that the exchange of the means of production within the ownership by the whole people is a commodity.

Considering the serious harm caused by deviating from the law of value in the late 1950's, some monographs carried articles demanding that economic affairs should be supervised by economic means, that is to say, acting according to economic laws, especially the law of value. Then followed another suggestion that we should learn the experience of capitalist management which is useful to us, for instance, setting up trusts, etc. Thus, the professional departments concerned began to run, as an experiment, corporations for producing motor vehicles, aluminium, rubber, tobacco and gold. Though the experiment did not last long, valuable experience was gained.

Proceeding from socialist economic theories on commodities, the problem of circulation within ownership by the whole people was also raised, and some even suggested organizing corporations supplying the means of production. As the research on socialist commodities and theory of prices went to greater depth, "the outlook of natural economy," namely taking the economy of the socialist public ownership as the natural economy, was criticized. Since "the outlook of natural economy" prevailed for a long time, denying the fact that exchange of the means of production should be viewed as a commodity,

some comrades did not acknowledge that there were problems of circulation existing in socialist economy. Under China's management system and way of running enterprises, the major parts of the products were allocated and monopolized for purchase and marketing. Such circumstances encouraged the growth of the outlook of natural economy which denied the existence of circulation. Actually there can be no large scale of socialized production without circulation. To deny the necessary process of circulation and to deny the fact that socialist commodities need supervising and inspecting by the customers or the market results in our being faced with shortage in varieties of goods, inferior qualities, heavy consumption and low efficiency. Besides we fail to make the goods match the price. All this has caused us much trouble. Therefore, the idea that circulation exists in socialist society is of great scientific and practical significance.

The rapid improvement of the economic situation during the adjustment period stimulated the development of economic theories, and the latter promoted the healthy growth of the economy accordingly.

[HK200646] It is a pity that good times do not last long. No sooner were economic circles about to set forth new ideas and study the new situation according to Mao Zedong Thought and Marxism-Leninism and by proceeding from the reality of China, than the socialist education movement started in cultural and educational institutions. As demarcation lines between socialism and capitalism, between Marxism-Leninism and revisionism could not be clearly drawn, the above-mentioned bright ideas were nearly all repudiated as capitalism or revisionism. The suggestion of viewing profit as a comprehensive index to evaluate the management of enterprises was considered a revisionist policy which put profits in command; the theories of capital profit margin and the cost of production were denounced as practicing capitalist principles in socialist economy; the idea of supervising economic affairs by economic means was repudiated and denounced as opposing the principle of putting politics in command, while the suggestion of bringing the supply of the means of production into the commercial orbit was regarded as capitalist liberalization, and so on. As a result, the whole academic circles became dull, like ten thousand horses standing mute.

IV

During the Great Cultural Revolution, Lin Biao and the "gang of four" picked up and viciously developed those mistaken viewpoints which had been propagated as a result of the influence of the ultraleft trend of thought in economic circles, such as: socialist planned economy is incompatible with commodity production; the planned adjustment and the law of value are exclusive to each other; commodity production as well as the law of value will bring about capitalism. In addition, they condemned those economists and economic theorists who upheld Marxism-Leninism-Mao Zedong Thought, and banned all the economic journals. In so doing, they suffocated and erected obstacles to normal discussion on socialist commodities and prices. Under the sabotage of Lin Biao and the "gang of four," the economic theories of the left opportunists raised a temporary clamour, and this resulted in grave consequences to our economic work.

The fallacies that the "gang of four" slandered the socialist commodity production can be summarized into two points. First, they blurred the essential distinction between socialist and capitalist commodity production. Second, they slandered that socialist commodity production provided the soil and conditions for the growth of capitalism. During the third campaign in the struggle to expose and criticize the "gang of four," our economic theorists published a series of articles, giving a penetrating analysis and making an all-round criticism of these fallacies.

Many comrades pointed out that socialist commodity production is entirely different from capitalist. First, they are based on different ownership of the means of production and reflect a different relationship between man and man. Capitalist commodity production is based on private ownership, reflecting mainly the relationship between the capitalists and the workers or between the capitalists themselves. But the socialist one is based on socialist public ownership, reflecting mainly the relationship between ownership by the whole people and collective ownership, or the relationship within collective ownership itself, and there are no capitalists taking part in commodity production. Second, their aims of production is fundamentally different. The aim of capitalist commodity production is to seize the surplus value, while that of the socialist one is to satisfy the increasing material and cultural needs of the people. Third, they have different spheres. In capitalist society, commodity production extends everywhere without limitation. Both labor products and labor force are commodities. But in socialist society, the laborers are not only masters of the means of production but also masters of society. The labor force no longer becomes a commodity. Fourth, they have different roles and social consequences. In socialist society, as the law of value, the basic law of commodity production, can be used consciously to serve socialist construction and adjust by the national economic plans the whole of social economic activities, including commodity production and circulation of commodities. The state of anarchy existing in the capitalist commodity production and the phenomena of blindly dominating the commodity production by the law of value are replaced by conscious and planned adjustment. And the phenomena of class polarization caused by the law of value in private commodity production no longer exists.

In the article "Refute the 'Gang of four's' Reactionary Fallacies of Slandering the Socialist Commodity Production" written by the theoretical group of the Finance and Trade Group of the State Council, the tricks which the "gang of four" played to slander the socialist commodity production were systematically exposed. Although the article did not clearly state whether the means of production circulated within ownership by the whole people was a commodity, its criticism of the "gang of four's" theory on commodities was comprehensive and penetrating.

By linking theory with practice, economic theorists also repudiated the absurd theory of the "gang of four" in slandering that socialist commodity production provided soil and conditions for the growth of capitalism. They stressed that commodity production is not bound to be transformed into a capitalist one at any time or under any circumstances. There should be two basic conditions for accomplishing the transformation. First, a great amount of monetary wealth or means of production and means of livelihood are concentrated in the hands of the minority. Second, workers who have

personal freedom but do not possess many means of production emerge in large numbers. Even small commodity production cannot lead to capitalism without certain conditions. Only at the period of feudal society, as the commodity production and exchange of commodities developed rapidly, could small commodity production produce polarization and the above-mentioned conditions be required. [HK200658] As socialist commodity production is based on the public ownership of the means of production, it is impossible to produce polarization and the possibility of possessing the above-mentioned conditions is ruled out once and for all. Therefore, it is impossible for socialist commodity production to provide the base for capitalism.

On the matter of the law of value, the "gang of four" and their media fabricated and spread a series of fallacies. "The law of value is useful but only for reference," they said. "It is not the starting point for setting the prices. Why do we often mention the law of value? Political economy should be aimed at consolidating the dictatorship of the proletariat; it should put politics in command and explain clearly the aim of setting prices. Should it deviate from consolidating the dictatorship of the proletariat and reaching the goal of communism, it will deviate from politics." (Speech by Ma Tianshui in June 1975 on discussing "The Political Economy of Socialism" compiled by former Shanghai Municipal Party Committee) "'Value-chasing mania' is bound to emerge as a result of establishing the value of commodities. The law of value is a dissident force in essence. In the course of its movement, the law of value will more or less break away from the planned and conscious control of the people." ("The Political Economy of Socialism" compiled by former Shanghai Municipal Party Committee) Economic theorists published many articles criticizing those fallacies regarding the law of value, and pointed out that the crucial point of the counterrevolutionary fallacies fabricated by the "gang of four" was to sabotage our socialist economy by vainly attempting to negate the law of value.

The great polemic on commodities and prices between the economic theorists on one side and the "gang of four" on the other swept away the obstacles for greatly promoting the socialist commodity production, producing better understanding and utilizing the law of value and for the reform of the management system and administration of our national economy.

V

After smashing the "gang of four," we greeted the coming of spring in economic science!

As the movement to criticize the "gang of four" in the field of economic theory deepened and the discussion of practice as the sole criterion of truth was pushed forward, under the guidance of Marxism, the economist and economic theorists emancipated their minds, conscientiously studied the positive and negative experience of our socialist construction in the past 30 years and conducted new research on a series of issues concerning commodities and prices which had never been mentioned and remained unsettled in the past. The article "Act According to the Law of Value and Speed up the Realization of the Four Modernizations," written by Comrade Hu Qiaomu and published by RENMIN RIBAO on 6 October 1978, played a guiding role in this respect. It also showed that the discussion on commodities and prices had entered a new stage.

The 3d plenum of the 11th Central Committee decided to shift the focus of the work of the party to socialist modernization and reform the management system of our national economy. This situation greatly spurred the reform of the management system and economic structure. Accordingly within economic circles, there was a heated discussion on how to act in accordance with economic laws, including the law of value. A national symposium on the role which the law of value plays in socialist economy was held in Wuxi in April 1979. This showed that the long discussions on commodity and prices had reached a climax. By linking theory with practice, the symposium succeeded in taking a new step in the exploration of commodities and prices.

Remarkable progress has been made in the following aspects in the past 2 years and more:

First, on the question of how to gain an understanding of the basic characteristics of socialist economy, some comrades view socialist economy not only as a planned one but also as a commodity one based on public ownership. The existence of commodity economy cannot be explained only by the two forms that exist in the socialist public ownership at the present stage; it is mainly determined under the premise of unanimity of fundamental interests, in the relationship between man and man in socialist society, including the relationship between one collective of producers and another. Therefore, socialist enterprises, whether enterprises of the ownership by the whole people or those of collective ownership, are not only production units of public ownership but simultaneously are relatively independent commodity producers. ("Some Theoretical Problems on Socialist Economy in Combining Planning With Marketing" by Sun Shangqing, etc., JINGJI YANJIU No 5, 1979; "Linking Planning With Marketing Is the Basic Way To Reform China's Economic Management" by Liu Chengrui, JINGJI YANJIU No 7, 1979) Such a viewpoint is of great importance for studying some major issues of socialist economy.

Second, the exchange of the means of production within the ownership by the whole people is also a commodity. In the early days of the 1950's, Zhong Jin and some other comrades always viewed the exchange of the means of production among enterprises within the ownership by the whole people as a commodity ("The Role of the Law of Value Under Socialist System," "Selected Theses on Commodities, Values and Prices Under Socialist System in China's Economic Circles" by Zhong Jin, Science Publishing House 1958 Edition). What a penetrating analysis it is. At that time, however, most of the economic monographs were against this viewpoint. They held that such products did not belong to commodities. The system of handling of goods and material in China was also designed according to the formula which did not take the means of production as commodities. But over 20 years' experience has proven that such an understanding and system do not conform to the requirement of the nature and development of the socialist economy. [HK200714] Denying that the means of production is a commodity and practicing the planned allocation and distribution system to the means of production results in many drawbacks. On the one hand, materials keep long in stock seriously, on the other hand materials are greatly insufficient and economic efficiency very low. Theoretically, the means of production must be acknowledged as a commodity whereas in practice, conditions must be created gradually to shift the circulation of the means of production to the commercial orbit, and balance

between supply and demand must be readjusted and maintained by means of various economic levers. In addition, enterprises where these products are produced should be supervised to increase the variety of goods, raise the quality, lower the consumption and improve the technical service.

After analyzing the specific features of the internal relationship of the ownership by the whole people, many comrades have proved that the means of production was still a commodity.

Some say that making an exchange of the means of production in the state enterprises does not mean that there is no transfer of proprietary rights at all since the means of production of the ownership by the whole people is owned, used and managed by each enterprise. The proprietary rights which are separated, to some extent, from rights to own, use and manage are linked with the economic interest of each enterprise. In the final analysis, proprietary rights are nothing but economic interest. As the dealings of the means of production among the enterprises are linked with their own economic interest, in fact some significant transfer of proprietary rights occurs in the dealing of the means of production. Therefore, this kind of means of production is still a commodity.

Some say that in socialist ownership by the whole people, "the whole people" is divided into various kinds of individuals and collectives which have distinctions in interest. It is not the same as "the whole people" in the advanced stage of communism in which an essential distinction of labor is eliminated, the principle of distribution to each according to his needs is put into practice and there are no contradictions of economic interest. Socialist ownership by the whole people is an incomplete one. During the mutual exchange of their own products, the principle of exchange at equal value has to be used for readjusting their own economic interest. So these products are also called commodities ("Direction of Reform and Problems on Economic Planned Management System in the Ownership by the Whole People in China" by Ho Jianzhang, JINGJI YANJIU No 5, 1979; "On the Relations Between Planning and Marketing in Socialist Economy" JINGJI YANJIU No 5, 1979).

Others have remarked that socialist ownership by the whole people is mainly based on the ownership by the whole people including partly collective ownership, or in other words, it is an ownership by the whole people which includes partly local ownership and ownership by enterprises. This form of ownership inevitably exists in underdeveloped socialism and the products which are made within the ownership by the whole people are bound to be commodities and their exchange of products is an exchange of commodities.

It is obvious that great progress has been made in the research on the objective necessity of the existence of commodity production, as the focus of the research is shifted from the relationship of the ownership to the internal relationship of ownership by the whole people.

Third, the law of value still plays the role of adjustment in socialist production. Under the influence of Stalin's works, the role of the law of value was generally denied and the law of planned development was set against the law of value. In the preceding period, many articles stressed

that the law of planned development and the law of value contained the requirement of the proportionate distribution of social labor. These requirements were the common foundations under which both laws played the role of adjustment in the socialist economy including production and circulation ("Act According to the Economic Laws and Speed Up the Realization of Four Modernizations" by Hu Qiaomu, RENMIN RIBAO, 6 October 1978). Since the founding of the PRC, due to violating both the law of planned development and the law of value, China has suffered setbacks in its economy several times. In practice, those countries which overemphasize unified planning of centralized leadership and neglect the adjustment of the law of value are confronted with many issues in common, namely imbalance in main proportions, shortage of varieties of goods, poor quality, heavy input consumption, inefficiency and lower rate of increase in economy. Henceforth, in economic management we should pay special attention to the adjusting role of the law of value, and make good use of the market mechanism. Both in theory and practical work, the adjustment role of the law of planned development should be integrated and linked with that of the law of value. In so doing, the viewpoint that planning and marketing are mutually exclusive in socialist economy is broken through theoretically.

Fourth, in socialist economy, planning adjustment and market adjustment should be linked together. Since the socialist economy is the unity of planned economy and commodity economy, and both the law of value and that of planned development jointly play the role of adjustment, it is necessary to carry out the policy of linking planning adjustment with marketing adjustment. The planning adjustment shows that social production can be arranged proportionately and consciously by society, whereas the marketing adjustment is capable of carrying out the proportionate development of social production by means of the market mechanism. At the same time, the planning and marketing adjustments permeate each other. Planning cannot be adjusted without using the mechanism of the market and marketing cannot be adjusted without the guidance of planning. Both planning and marketing are interdependent, but priority must be given to the former.

[HK200726] Fifth, enterprises (corporations) should be granted all functions and limits of authority that relatively independent commodity producers should possess, in order to supervise in a unified way both manpower, financial and national resources, and supply and marketing. In addition, we should try every effort to create conditions for making enterprises assume sole responsibility for their profits and losses. In so doing, the achievements of the enterprises can be closely linked with the material interest of the workers, and the staff members and the workers will care for improving the management of enterprises for the sake of material interest and therefore, the enterprises will be given an internal economic impetus.

Sixth, we should carry out necessary competition. Competition is an objective law of the commodity economy and also an important mechanism for strengthening or improving the planned economy. The main distinction between competition and emulation is that those enterprises which are happy to lag behind and are not needed by the society will be eliminated through competition. Some extent of competition guided by planning in the socialist economy may become an external compulsory force to push the expansion of the enterprises.

Seventh, fixing prices according to production cost should be gradually put into practice in order to conform to the reform of the economic management system. The theory that prices should be set according to production cost was put forward back in the late 1950's, but few people agreed. Now more people are in favor of this theory. There has been some development in their grounds of argument, compared with the period before the cultural revolution. First, by stating the fact that socialist society still makes laborers and laboring collectives care for their material interest, they prove that to fix prices according to production cost is the criterion for correctly evaluating the fruit of work. Second, by the reform of economic management including instituting capital tax, extending credit for capital construction and setting up full credit system to circulating capital and so on, they also prove that prices of goods should be set according to production cost. Third, by stating that the socialist commodity economy still needs some extent of competition, including the comparison of investment or economic results among different sectors, they prove the objective necessity of setting prices according to production cost.

The 30 years' discussion shows that the study on commodities and values under socialist system should proceed from reality, not from books. If we proceed from reality, our theories will be lively and vivid, and exert a positive role in practice; if not, they will be stagnant and seriously divorced from practice. A great number of monographs which emerged during the discussion managed to apply Marxism-Leninism to the practice of socialist construction, summarizing new theories and getting rid of outdated principles and conclusions. Only by taking the attitude of seeking truth from facts, can theoretical studies become creative and play a positive role in the development of the socialist economy.

The 30 years' discussion shows that in a country like China, in which capitalism was originally underdeveloped and small production occupied a dominant role, developing commodity production and bringing into play the role of the law of value after the victory of the revolution are often misunderstood and face great difficulties. Viewing the relationship between commodities and currency from the standpoint of small production, some people voiced objections against the development of commodity production and the role of the law of value. Thus it is prone to help the growth of the outlook of natural economy and people would rather take a "Left" than right attitude--namely "Leftism" is better than Rightism--towards the commodity economy. All this is harmful for developing the commodity economy and utilizing the law of value to serve socialism.

The 30 years' discussion also shows that the process of cognition of truth is complicated and tortuous. Very often the truth is in the hands of the minority and it has to go through a process of cognition before it is understood by the majority. Only by implementing the "two hundred" principle in academic research and making a clear distinction between political problems and academic ones, can we avoid repeating the tragedy of nipping the truth in the bud and persecuting those who uphold the truth.

In the early 1960's, the proposal that practice is the only criterion in testing the correctness of economic theories, policies, programs and measures,

was put forward in our forum. At that time, however, people's minds were still hedged in with rules and regulations. It was impossible to merit enough attention from the people. We did not come to realize the utmost importance of attesting through practice the economic theories and policies until we smashed the "gang of four" and had twice undergone the bitter experience of ups and downs in the development of our national economy.

Now the party Central Committee has called on the theoretical workers to study and solve the new problems arising in the course of shifting the focus of the party's work and realizing the four modernizations. The call is issued at a time when conditions are ripe for completing this mission. We are convinced that we can manage to accomplish the task, stimulate the study of theories on commodities and prices and promote socialist modernization provided we uphold the principle of linking theory with practice, seeking truth from facts and letting a hundred schools of thought contend. At the same time, as shown by the practice of economic theoretical research, the scientific methodology of socialist political economy depends to a large extent on whether or not we can scientifically expound on socialist commodities and prices. Thereby any new progress on the study of these topics will provide a powerful stimulus to the establishment and perfection of the scientific system of socialist political economy.

The study on commodities and prices, like the exploration of any scientific problem, is in a process of approaching the truth. Let us march on steadily towards the path which scales new height in science!

CSO: 4006

LIGHT INDUSTRY

BRIEFS

BICYCLE PRODUCTION--Beijing, 31 Jan--A total of 10 million bikes were produced in China last year, according to the figure from the Ministry of Light Industry. Now one in every 12 Chinese has a bike. China's 22 provinces, municipalities and autonomous regions have set up bicycle plants and plants to manufacture bicycle spare parts. Now China can turn out many different kinds, including the standard bike, the light bike, the heavy-duty bike, the small-wheeled bike, the 3-speed bike, the moped (a bike propelled by a small motor) as well as the special bike for the Post Office and the racing bike for cycling. [Text [OW311423 Beijing XINHUA in English 0710 GMT 31 Jan 80 OW]

CSO: 4020

CAPITAL CONSTRUCTION

BRIEFS

GUANGDONG CONSTRUCTION DRIVE--Guangzhou, February 2 (XINHUA)--A big construction drive is under way in Shenzhen (Shumchun), Guangdong Province. State investment for capital construction in the city last year--over 70 million yuan--was double the 1978 figure. A 22-kilometre highway that will run through a new city area is under construction and is scheduled to be finished next year. It will connect with the highway to Guangzhou. Two other highways between Shenzhen and Hong Kong are being broadened and paved with asphalt and they will be completed by the end of this year. The first stage of the Shenzhen automobile assembly plant has been completed and is in production, and Shenzhen printing mill's three new factory buildings will go into production this year. This year a group of overseas traders have signed nearly 20 contracts with Shenzhen city. The projects include building a 15-storey hotel, housing for overseas Chinese, a modern hospital, a sports centre, and factories. Ten overseas tourist companies have also signed contracts with the city for building villas, bathing beach and a boat-racing area and parks. The Chinese Government has decided to set aside part of the city as a special economic area for capital investment from foreign firms and overseas Chinese as well as from Hong Kong and Macao. [Text] [OW020732 Beijing XINHUA in English 0715 GMT 2 Feb 80 OW]

CSO: 4020

TRANSPORTATION

BRIEFS

LANCANG RIVER NAVIGATIONAL--Kunming, February 2 (XINHUA)--A 158-kilometre-long section of the Lancang River in southwest China was opened to navigation recently. The section is within the boundary of the Xishuangbanna Autonomous Prefecture of Dai Nationality, in Yunnan Province. The Lancang River, which is one of the larger rivers of southwest China, has its source in the Tanggula range in Qinghai Province, and flows southward through eastern Tibet and western Yunnan. Only the section in Xishuangbanna is suitable for navigation because other sections have steep cliffs and swift currents. Over 140,000 cubic metres of submerged rocks were blasted away from the bed of the river and dams built. The section can accommodate ships up to 40 tons and barges up to 100 tons. [Text] [OW021302 Beijing XINHUA in English 1255 GMT 2 Feb 80 OW]

LUXURY TRAIN--Qingdao, 1 Feb--The new train that went into operation today on the Guangzhou-Kowloon Railway Line is the latest product of the 80-year-old Sifang rolling stock plant at this seaside city. It performed well during test runs between Qingdao and Beijing before going to Guangzhou. The 12 carriages that make up the train include nine air-conditioned passenger coaches, each with 68 soft reclining chairs, and a dining car turned out by another Chinese rolling stock plant. Maximum speed is 160 kilometers an hour, according to Zhou Jinkai, deputy chief engineer at the plant, who was in charge of the project. "Its maximum is one-third faster than that of passenger trains now in use on other lines," he said. The steel body shell is of an advanced type and the engine has a new high-speed steering frame gear and disc brakes. Design work on the train began in 1978, and the first train was turned out in ten months. Two more trains were completed for the Guangzhou-Kowloon line by the end of last year. [Beijing XINHUA in English 1248 GMT 1 Feb 80 OW]

XIZANG HIGHWAY SOCIETY--Lhasa, 3 Feb--The highway society of Tibet Autonomous Region was set up in Lhasa recently. Xizang depends mainly on trucks for its transport and its 22,000 kilometers of highways are mostly built on plateaus at high altitudes. This means special construction and maintenance problems. The highway society will study, among other things, the transport techniques best suited to Xizang. [Text] [OW041031 Beijing XINHUA in English 0706 GMT 3 Feb 80 OW]

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